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Senate Finance and Public Administration Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: fpa.sen@aph.gov.au

IPWEA Submission to Senate Inquiry into Federal Financial Support for State and Territory Infrastructure Projects

Dear Chair and Members of the Committee,

The Institute of Public Works Engineering Australasia (IPWEA) is pleased to provide the attached submission to the Finance and Public Administration References Committee inquiry into the process, governance and effectiveness of federal financial support provided to state and territory governments for infrastructure development.

IPWEA represents infrastructure and asset management professionals working across all tiers of government and throughout the infrastructure life cycle. Our submission draws on IPWEA's White Paper *Best Practice Asset Management of Essential Public Infrastructure* and on recent evidence provided to the House of Representatives inquiry into local government funding and sustainability.

While that earlier work focused on local government, the generic principles and lessons are directly applicable to Commonwealth funding of state and territory infrastructure projects. Our submission highlights the importance of governance, life cycle planning, capability and transparency in achieving long-term public value from federally supported infrastructure.

IPWEA would welcome the opportunity to appear before the Committee to expand on this evidence and to provide practical, delivery-focused insights from across the infrastructure system.

Thank you for the opportunity to contribute to this important inquiry.

Yours sincerely

Ben Clark
IPWEA President

Introduction

The Institute of Public Works Engineering Australasia (IPWEA) welcomes the opportunity to contribute to the Senate inquiry into the process, governance and effectiveness of federal financial support provided to state and territory governments for infrastructure development.

IPWEA is the peak professional association representing public works and infrastructure asset management practitioners across Australia and New Zealand. Our members operate across all tiers of government and throughout the infrastructure lifecycle—planning, investment decision-making, delivery, operation, maintenance and renewal.

This submission draws on IPWEA's White Paper *Best Practice Asset Management of Essential Public Infrastructure* and IPWEA's recent submission to the House of Representatives inquiry into local government funding and sustainability. Together, these sources provide both **principles-based guidance** and **applied evidence** relevant to Commonwealth funding of state and territory infrastructure projects.

IPWEA's White Paper is aligned with the ISO 55000 series of Asset Management Standards, which provide internationally adopted principles and management system requirements for realising value from assets. These standards are increasingly referenced across public sector infrastructure, utilities and regulated industries to support consistent, transparent and whole-of-life decision-making.

IPWEA's guidance, including the *International Infrastructure Management Manual* (IIMM), provides internationally recognised, practical methodologies for asset management planning, valuation, lifecycle cost analysis, and performance measurement. Together with ISO 55000 principles, these resources underpin our evidence-based approach to infrastructure investment and sustainability.

IPWEA's central proposition is that appropriate **infrastructure outcomes depend as much on governance, life cycle discipline and organisational capability, as they do on funding quantum**. Federal funding arrangements therefore play a decisive role in shaping long-term public value and infrastructure sustainability.

Federal funding decisions shape system behaviour

Commonwealth infrastructure funding can materially influence how state and territory governments prioritise projects, develop business cases and manage assets over their full lives. Funding criteria and assessment processes send strong signals about what is valued—whether it be speed of announcement, capital spend, geographic distribution, or sustained service performance.

IPWEA's experience suggests that where funding frameworks focus narrowly on capital delivery milestones, they can unintentionally weaken attention to:

- future asset renewal obligations
- long-term operating and maintenance costs
- post construction capability

The result can be infrastructure that meets short-term objectives but generates long-term fiscal pressure and service risks.

IPWEA submits that federal funding programs should more explicitly reinforce **whole-of-life value, service outcomes, and intergenerational equity**, consistent with modern asset management and public financial management principles.

Assessment criteria and allocation processes

The Senate's focus on assessment criteria and prioritisation is well placed. IPWEA supports structured, evidence-based assessment processes, including independent evaluation, for projects seeking federal support funding.

However, IPWEA has heard anecdotally of significant variability in the maturity and quality of business cases submitted by states and territories. This reflects time pressures, political drivers and inconsistent requirements regarding:

- life cycle cost analysis
- alignment with asset management plans
- demonstration of long-term financial and operational capacity

IPWEA submits that **credible asset management planning should be a foundational requirement for federally funded infrastructure projects**, alongside traditional cost–benefit analysis.

Projects that cannot demonstrate how assets will be operated, maintained and renewed over their useful lives pose long-term fiscal and service risks, regardless of initial economic merit.

Consistent with the ISO 55000 series, IPWEA submits that asset management planning should demonstrate a clear line of sight between service objectives, asset decisions and long-term financial sustainability.

Understanding renewal need before expanding the asset base

IPWEA submits that a fundamental weakness in current infrastructure funding and assessment processes is the limited emphasis placed on understanding the **future renewal investment required to maintain existing assets at the standard necessary to deliver the services for which they were designed**, before committing to new or expanded infrastructure.

The ISO 55000 series emphasises that organisations must understand the performance, condition, risk and life cycle cost of existing assets before committing to new investment. Applying this principle at a system level highlights that expanding the asset base without first addressing renewal requirements increases whole-of-portfolio risk and undermines value realisation.

The IIMM provides guidance on assessing existing asset condition, predicting future renewal requirements, and integrating this information into investment decisions, reinforcing that expanding the asset base without addressing existing renewal needs increases portfolio risk and reduces value realisation.

In practice, new or upgraded assets are frequently approved without a clear, evidence-based understanding of the host government's ability to sustainably operate, maintain and renew those new assets as well as **its existing asset portfolio**. Where deferred renewal already exists, additional infrastructure can compound long-term financial stress, accelerate asset degradation and reduce overall service performance.

IPWEA's White Paper makes clear that deferred renewal is not a benign cost saving. It represents a transfer of risk and liability to future governments and communities. Without explicit consideration of renewal capacity, infrastructure investment decisions may unintentionally undermine the very economic and social benefits they seek to deliver.

IPWEA therefore submits that federal funding assessments should require proponents to demonstrate:

- the current condition and renewal status of the relevant asset portfolio
- the forecast renewal investment required to sustain existing service levels; and
- how new or upgraded assets will be funded, operated and renewed over their full life **without eroding the performance of existing assets**.
- how their infrastructure asset plans are aligned to adopted service planning objectives and the long-term financial plan.

Embedding these considerations would materially strengthen decision-making and improve long-term value for money for all stakeholders.

Transparency, consistency and accountability

IPWEA supports improved transparency and consistency in federal infrastructure funding decisions, particularly where projects are funded outside established assessment pathways.

Transparency is essential not only for public confidence but for system learning and improvement. Clear articulation of why projects are funded, how risks are assessed, and how trade-offs are made strengthens future decision-making across jurisdictions.

IPWEA's White Paper emphasises that accountability for infrastructure should extend beyond construction completion to include **performance in service**, safety, resilience and cost-effectiveness over time. Commonwealth funding frameworks can reinforce this by setting clearer expectations for reporting on post-delivery outcomes.

As set out in the IIMM, transparent performance monitoring, post-completion reviews, and continual improvement processes are essential for demonstrating that assets continue to deliver intended outcomes over time.

Viability, appropriateness and independent assessment

IPWEA strongly supports the use of independent assessment mechanisms for projects receiving federal funding. Independent review improves decision quality, mitigates optimism bias and strengthens confidence in project viability.

Importantly, viability assessments should extend beyond capital affordability to consider:

- long-term operating and maintenance capacity
- asset condition risk
- renewal pathways
- workforce capability

These factors are particularly critical for infrastructure in regional and remote areas, where delivery challenges are greater and where ongoing asset management constraints are most acute.

Economic, social and community impacts

IPWEA supports the Committee's focus on economic, social, cultural and community impacts of federally supported infrastructure projects. However, these impacts are best realised when infrastructure continues to perform as intended over its useful life.

Federal policies prioritise infrastructure for jobs, growth, and resilience, as in the 2024-25 Budget's \$120 billion program, and the National Reconstruction Fund's focus on productive assets. Yet, fragmented funding would fail to integrate asset management opportunities, exacerbating government burdens.

IPWEA supports objectives like the Infrastructure Australia's 2021 15-Year Plan, urging federal-state coordination to close renewal gaps and build climate-resilient infrastructure. Assets that are inadequately maintained or insufficiently resourced can erode community trust, increase safety risks and diminish long-term economic benefits.

IPWEA therefore submits that assessment frameworks should test whether proponents have the governance, funding and capability arrangements necessary to sustain intended outcomes, not merely to deliver the initial construction.

Oversight, performance tracking and public reporting

Federal oversight of state and territory infrastructure projects is often strongest during delivery and weakest during operation. This creates a gap in understanding whether federally funded assets continue to deliver value over time.

IPWEA sees opportunities to strengthen governance through:

- performance measures linked to service outcomes,
- post-completion reviews of asset performance against assumptions
- clearer public reporting on long-term outcomes

These approaches align with IPWEA's White Paper and with international best practice reflected in the ISO 55000 Asset Management Standards, which emphasise continual improvement, performance monitoring and transparent reporting across the asset lifecycle.

Lessons from local government apply at scale

IPWEA's recent evidence to the House inquiry into local government funding demonstrates that sustainability challenges often arise from **misalignment between funding, planning and lifecycle management**, rather than from funding levels alone.

These lessons apply equally to state and territory infrastructure projects. Federal funding arrangements that reward sound asset management discipline and long-term planning at the state level will strengthen outcomes across the entire infrastructure system.

Recommendations

IPWEA recommends that the Committee consider the following recommendations:

1. **Embedding asset management principles in federal funding frameworks**, consistent with the ISO 55000 series and the IIMM, including explicit consideration of existing asset performance, renewal needs and whole-of-life funding capacity before approval of new and upgraded infrastructure.
2. **Strengthening independent assessment and transparency** of funding decisions.
3. **Extending oversight beyond construction** to include post-completion performance and service outcomes.
4. **Recognising capability and sustainability as core elements of project viability**, alongside economic appraisal.

Conclusion

Federal infrastructure funding is a powerful lever shaping how infrastructure is planned, delivered and managed across Australia. IPWEA's experience demonstrates that **better governance, life cycle discipline and capability deliver better outcomes from every dollar invested**. This results in our communities being able to access required services that are supported by well planned and maintained infrastructure.

IPWEA would welcome the opportunity to appear before the Committee to expand on this submission and provide practical insights drawn from across the infrastructure life cycle and all tiers of government.