

From: Dr Chris Hale (of Hale Infra Strategy Pty Ltd)

To: members of the **parliamentary inquiry into the Australian Government's role in the development of cities**

Re: submission to parliamentary inquiry

TO WHOM IT MAY CONCERN

I welcome the opportunity provided by the current parliamentary inquiry to shine new light on the prospective future of Federal Government's role in Australian cities, and to engage in new and up-to-date policy discussion on this important topic.

For these reasons I would also like to submit a prior piece of research work as an underlying 'evidence base' to many of the contentions and points outlined below. The Australian Planner journal paper (2015) titled "*Metropolitan infrastructure, planning and institutions – a comparative world view*" is therefore also included as an addendum to the submission, and provides greater elaboration on many of the key items in this letter. Although the paper was developed independently of the inquiry, it is carefully-considered and up-to-date, and deals with substantial issues of direct relevance to the inquiry terms of reference.

In response to your terms of reference, I would like to suggest that the inquiry participants, Australian government, relevant arms of the public service, and other stakeholders should recognise and seek to address the following issues:

#### **Trajectory to achieving 'best practice' on key indicators**

Australian cities are not currently 'best practice' exemplars on key metrics such as 'public transport mode share', and the path to achieving substantially better outcomes on such metrics is a long and arduous one (certainly it will take a decade and more at least, and upward of 4-5 terms of federal government to achieve substantive and lasting change in the infrastructure and indeed the institutional settings required to perform at a high level on a challenging apex metric like sustainable transport mode shares). Any benefit to Australian cities and the community of *being perceived* as a best practice exemplar is at least a decade away, hence the framing of this term-of-reference item for the inquiry is perhaps naïve.

#### **Orientation to global practice**

There is a pressing need to better cross-reference public policy directions for Australian cities toward events and policy dynamics in major international 'competitor' cities. We need to become less self-referential, and more worldly and open-minded in our understanding of Australian cities, planning and infrastructure relative to global counterparts. Federal policy outlooks and capabilities should shift in this 'more global, outward-looking and self-aware' direction. Within this, there is a need to more carefully select the 'reference cities' we utilise for policy learning purposes. 'Reference cities' should be cross-checked for factors such as comparable population, success at handling population growth and change over time, success in achieving strong public transport mode shares, robustness of institutional models, and success on other *key sustainability and economic development metric indicators*. In practice, this may mean a need to shift our attention space beyond the longstanding engagement with policies and institutions arising from the USA and UK. Federal policy outlooks and capabilities should become more soundly grounded in a quantitative and worldly understanding of international urban policy trends.

### **Barriers to sustainability – institutional and commercial weakness in the Aus rail sector**

While investment in new rail is a ‘necessary and positive thing’, large Australian cities such as Sydney, Melbourne and Brisbane actually carry a substantially larger stock of pre-existing rail network than many US cities of similar population size, and/or our rail networks may be larger (by km length) even than those found in many European cities. This may indicate, among other things: an under-utilisation of our existing rail assets; insufficient commercialisation of our rail organisations and insufficient incentive toward ongoing rail ridership growth; and ineffective land-use side responses (beyond rhetorical tropes) in the realm of TOD or transit oriented development. The Australian rail sector now needs to achieve a generational improvement in capability, commerciality, movement capacity, and productivity – and federal policy should work hard to achieve that outcome and understand inter-related issues of industry change, within its remit.

### **Barriers to sustainability – weaknesses in advisory/consulting and institutions**

Our policy formulation, advisory, and industry models are unique (they are simply not the same as those found in other more successful locations) and may in some respects actually be incapable of generating successful policy development and planning/infrastructure change as they currently stand. In other words, to achieve greater success on a range of indicators, and to generate better policy advisory in the first instance, Australia may need to find ways of fundamentally altering its institutional landscape in the realms of planning, infrastructure, design and associated policy. This may require lessening the central role and influence of multinational consultancies in urban policy settings (given that successful international cities are apparently less dependent on these particular sources of indifferent advice). It may also require re-shaping of key institutions to become more productive, independent, effective and capable. Institutions that may need to fundamentally change their approach and capabilities include: local government; state government bureaucracies and transport/planning work units; and industry bodies. Federal government needs to carefully consider the quality, standing, sources, and independence of advice it takes (particularly within procurement settings), and may need to provide support for a generational change in institutional models more broadly (including at state and local government level). This may need to include a generational transition in institutions such as Planning Institute of Australia (PIA) and Engineers Australia (EA) toward a stronger focus on lifelong learning, higher academic standards, and *greater specialisation* within important sub-disciplines such as urban infrastructure policy/strategy, statutory planning, urban design, the technical civil engineering sub-categories, and engineering management.

### **Barriers to sustainability – excessive influence of vested interests over policy**

Federal and state Australian governments may need to consider allocating less attention span to vested interest ‘lobby groups and think-tanks’ and instead provide more attention and resources to working with leading individual practitioners who hold advanced knowledge, and offer a demonstrated track record over time of intellectual independence, personal capacity, and innovation. Consideration should be given to federal government’s potential role in achieving positive shifts in this area. The public interest, and those adept at understanding and promoting the public interest within infrastructure, should receive far greater attention than narrow vested interests, in federal government activities and beyond. Federal government should look closely at nation-wide reforms that end political donations from vested interests (such as developers, major construction contractors, large consultancies, and financiers) in order to deliver both practical policy-development benefits, and an enhancement of public trust and confidence on infrastructure issues.

### **Removing hindrances to the productive involvement of SMEs**

Related to the issues above, the Australian planning, infrastructure and transport sectors involve substantive and real barriers that limit the ability of legitimate small and medium enterprises (SMEs) to win government business. Although it is sound and understandable that leading 'prime' contractor roles be allocated to genuinely large firms in major projects, beyond that an over-reliance on large or multinational firms comprises a real limitation to innovation, and intellectual and technical diversity, as well as economic development (given the foundational role of SMEs in the Australian economy). Federal government should first actively review the outcomes of recent work allocations to firms of different scale and ownership type. If an over-concentration of particular companies or company types is identified, then active steps must be taken to alter these outcomes and remedy any processes that contributed to them. In particular, red tape that emphasises company type or size over the specific skills and technical capabilities of practitioners or employees of bidding firms should be remedied. Beyond prime contractor roles, it should not be considered legitimate, desirable or workable that federal (or other levels of government) would actively exclude SMEs from winning government contracts due to artificial procurement hurdles that are not related to skill or capability. Indeed, these practices are legally dubious where they exist - and federal government should move in a timely manner to address any such concerns. Federal government may wish to consider inviting Australian Competition and Consumer Commission (ACC) or some other relevant independent organisation to review procurement practices and outcomes with regard to SME involvement, or over-concentration of work allocations - across federal, state and local procurement within the urban infrastructure advisory and planning sectors.

### **Barriers – the need for change and evolution in the academic sector**

Australian university-based academic units also appear to be under-performing relative to the moderately generous resources and position they hold. In particular, knowledge and innovation related to urban issues in Australian universities often appears to be ad-hoc, idiosyncratic, lacking in sound metric evidence-base, disconnected from practice, and poorly referenced to relevant ideas and capacities from overseas. It also appears that Australian universities have watered-down their demand that academics act *only within the realm of their legitimate expertise*. In addition, there has been massive casualisation of teaching and even curriculum development and supervision, alongside an unsustainable reliance on overseas (ie 457 visa) hires for academic staffing (and corresponding under-development of viable career pathways for local-origin academics). Federal government may wish to consider the manner in which its actions or encouragements can assist the university sector to develop in new and more productive directions for its roles in urban research, curriculum and teaching, and public engagement. Federal government may wish to engage university leadership with clear and renewed expectations that they present-back a viable strategy for updating and sustaining the role of teaching, research, and engagement within the urban disciplines – in the interests of both better universities and better supports to city planning and infrastructure from the academic sector. Given the exceptional remuneration benchmarks of Australian vice chancellors, it is reasonable to expect that a sensible forward plan for developing the urban disciplines lies within their talents.

### **Barriers – poor performance and standing of federal organisations**

Although there was widespread support for the introduction of organisations like Infrastructure Australia (IA) in a context of 'evidence-based policy' and 'de-politicisation of infrastructure' it is now clear that IA has not sustained public support and trust. This can be diagnosed, firstly, as a problem of politicisation. Current and future Australian governments

should be scrupulous at keeping organisations like IA free of party-political appointments or ideological activity. If indeed the intention is to have IA existing as an ‘independent and expert’ organisation, then genuine independence is necessary, and careful attention must be afforded to the level of technical expertise involved at every level of IA. It is suggested that IA has not performed its notional role of de-politicising infrastructure, has not provided sufficient knowledge-intensive transitions to new forms of evidence-based project assessment/appraisal, and does not employ a cohort of well-regarded experts with legitimate high-level credentials, knowledge and standing in areas such as policy research/development and technical innovation. Recent policy work outputs from IA have been of a low standard, and ‘ideologically biased and predictable’ at times. With regard to certain terms of this inquiry, it is suggested that IA has not performed its role effectively – in the sense that it has not provided clear and reliable advice from trusted sources on a range of infrastructure funding innovations and options that are now timely (value capture, among others). Federal government should reform IA as a matter of urgency or close it, and also consider substantial efforts at generational reinvigoration for the ‘independence and expertise’ as well as culture and strategy of key organisations like Bureau of Transport, Infrastructure and Regional Economics.

### **Barriers – excessive ideology, and over-emphasis on PPP modalities**

Within the efforts of IA, and in federal government policy discussions, we continuously observe over-zealous, self-defeating and ideologically-obsessive emphasis on ‘PPPs’ and the role of ‘the private sector’. In actual fact, PPPs are driven by ‘the corporate sector’ (rather than SMEs or business more generally). They are an expensive form of infrastructure provision, involving additional financing costs over and above those related to pure construction cost through the mainstream public funding/delivery modality. PPPs provide only a modest role in overall infrastructure delivery both here and elsewhere. All infrastructure is ultimately funded by public consolidated revenue or user charges, and the naïve, inward-looking culture of PPP boosting does not reflect this fundamental reality. Nor is it clear that the small number of very large and unwieldy corporate organisations involved in Australian PPPs are especially ‘efficient’ or ‘productive’ or ‘innovative’ (there is much evidence to the contrary, and some evidence to suggest the emphasis on PPPs is mainly a function of excessive market power and political/policy influence of a small number of prominent companies). Although PPPs should not be ruled-out, it is incumbent on federal government that delivery modalities be chosen according to ‘best and most cost-effective outcome’ under a genuine ‘public sector comparator’ test hurdle. Relatedly, there is a pressing need for political actors to hose-down the ideological content of their engagement with infrastructure and planning issues.

Members of federal government, federal public servants, and political actors of all stripes should seek instead to deal with such matters in the public interest, and on the basis of evidence, reason, open-mindedness, flexibility, and innovation. The current inquiry provides an opportunity to demonstrate this new and necessary direction.

Yours sincerely –

Dr Chris Hale  
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