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Submission on *Infrastructure WA* Proposal

The Property Council is grateful for the opportunity to provide feedback on the *Infrastructure WA* (IWA) proposal and congratulates the McGowan Labor Government on pursuing this long awaited and very welcome initiative.

The Property Council represents more than 300 companies across WA in the residential, retail, retirement living, industrial and hotel sectors. The property industry now employs more people in Western Australia than any other sector, with more than 233,500 jobs.

The industry has for a long time advocated for greater focus in government on how to best plan, prioritise and deliver infrastructure. As recognised by Infrastructure Australia in its 2009 report to the Council of Australian Governments (COAG), while funding and financing are important issues, even more important is the way that projects are assessed, selected and prioritised.

Delivery of quality infrastructure where and when it is needed is a key enabler of economic and productivity growth and improving the quality of life of communities. It is critical to making Western Australia competitive as a place to live and do business.

Creation of an independent infrastructure body tasked with identifying and prioritising critical infrastructure provisioning was the top recommendation in the Property Council's 2017 state election platform. We are greatly encouraged to see how quickly and proactively the McGowan Labor Government has delivered its election commitment to do this. Implementing a strong infrastructure provisioning process will ensure that scarce infrastructure investment dollars are directed into projects that achieve greater productivity, value for money and alignment with stakeholder and community expectations.

The Property Council is supportive of the overall characteristics of the IWA model outlined in the proposal, and we agree with much of the detail the proposal contains. We particularly support the creation of IWA through legislation, to give it the statutory power and independence it needs to effect outcomes; the direct reporting of IWA to the Premier, giving it the central and elevated status it deserves; and IWA's inclusion within the State Government governance framework, ensuring it remains relevant and listened to, which may not occur to the same extent if it were a totally independent body.

The following comments provide further insight into the aspects of the proposed IWA model that will add most value to the property industry and will assist with the critical role the industry plays in creating prosperity, jobs and strong communities for current and future generations of WA.

Establishing IWA

WA's current governance structure for infrastructure planning fails to deliver a strong, accountable infrastructure provisioning framework, and undermines attempts to attract private investment into the State's infrastructure. The fact that there is no single body responsible for infrastructure planning in WA means we lack the strategic outlook and coordinated approach needed to create a comprehensive infrastructure plan for the State.

While the Infrastructure Coordinating Committee (ICC) established under the *Planning and Development Act 2005* has a role in advising on provision of infrastructure throughout the State, this advice is delivered to only one entity within the State Government, the Western Australian Planning Commission. There are a number of other agencies involved in infrastructure planning and decision-making, including the infrastructure delivery agencies, Treasury, Department of Finance and DPC. The ICC simply lacks the status and central coordinating role, and the right level of independence needed to guide infrastructure planning and provision effectively.

The transparency, rigour and depoliticisation of infrastructure planning and delivery that IWA can help facilitate will be a significant improvement on the current silo approach. It will enable much more transparent and coordinated decision making and evaluation. The Property Council strongly supports the best practice approach being taken towards the proposed governance of IWA. Elevation of strategic infrastructure planning to a central and coordinated position, reporting to the Premier, is critical if IWA is to be effective and productive.

The proposed membership of IWA is supported. We note the proposal is for, "a majority of non-government members (or a casting vote)". We endorse the proposal for an independent Chair with a casting vote, and it would be preferable to ensure a majority of non-government members (exclusive of the Chair) to take the pressure off this casting vote requirement. The process and decision-making around selecting the members will be critical to IWA's success, and we are sure that attention will be given to sourcing industry representatives who bring the highest levels of expertise and credibility possible.

Transparency and accountability is of critical importance to effective infrastructure planning. Currently the lack of transparency in infrastructure planning and prioritisation causes private sector uncertainty and limits informed debate around the opportunity costs of infrastructure investments. The Property Council strongly supports the proposal for advice from IWA to the Government to be publicly available, that the Government will be required to formally respond within a specified timeframe, and that any direction from the Premier to IWA can only be given in limited circumstances and must also be made publicly available.

It is encouraging to hear that IWA will be required to consult with stakeholders along with government agencies, and that both agencies and GTEs will be required to cooperate with IWA and provide any required information. In addition to the expertise and insight that non-government representation on the board can provide, an openness to talking with industry and the community about its expectations and understanding of relevant issues will add further depth and rigour to the work of IWA.

Improving long-term planning and informing short to medium-term decision-making

We agree that IWA should be responsible for creating a 20-year long term strategy - long enough to provide the necessary coordination and future certainty of infrastructure planning and delivery that

can support and encourage industry investment, while not being so long that the uncertainties and unknowns make planning with any confidence unrealistic.

The strategy should be reviewed at least every five years, as soon as possible after each State Government election, to ensure currency and consistency with each Government's infrastructure planning agenda. The extent to which the long-term strategy should be open to variation on a change of Government would ideally be limited, however we appreciate the realities that the political system of State Government imposes in this space.

We support the suggested alignment of the long-term strategy with a short to medium term plan prepared by Government, consistent with the Budget and the forward estimates, that identifies emerging challenges during the five to ten-year period.

The combination of the 20-year plan prepared by IWA, and the short to medium term plan prepared by the Department of Premier and Cabinet (DPC) in consultation with Treasury and IWA, both endorsed by Government, will give industry the certainty and transparency it has been calling for within the realistic constraints imposed by the nature of politics and the election cycle.

Better quality infrastructure proposals

The Property Council supports IWA's proposed role in business case assessment and evaluating project proposals. The specialist expertise and experience that IWA can offer to individual agencies will be extremely valuable and will enable development of these skills within government. We assume that IWA will build on work done by Infrastructure Australia in 2016 identifying the need for better business case development for infrastructure proposals, to ensure projects are assessed at the State and Federal level against the same criteria and with the same information available.

IWA's proposed role in reviewing infrastructure plans prepared by Government agencies is also supported, and we assume the intention is to ensure compliance of these plans with the agreed long-term infrastructure strategy where relevant. It is encouraging to see that the intent is to ensure a solid foundation and evidence base for sectoral strategies, infrastructure plans and future investment plans, and we agree that in time this should ensure more bipartisan support for Government infrastructure planning with associated improved certainty of outcomes for industry and community.

We also agree with the intent that IWA evaluate certain individual infrastructure project proposals. We consider it important that the threshold for projects to be assessed and evaluated by IWA should be based not only on a monetary figure but also on whether a project is of strategic significance, as some important pieces of infrastructure, whilst not perhaps costing as much the suggested \$100M threshold, may be very critical to the future development of an area.

As the proposal identifies, while Treasury currently undertakes assessment and provides advice based on value for money and impact on the wider budget, strategic proposals will benefit from assessment of strategic need, alignment with other public and private sector plans and projects, and appropriateness from an operational perspective. IWA can provide this and the Property Council is keen to see this occurring alongside Treasury's existing role in the process (alignment of the two processes will be critical to avoid timeframes being pushed out).

Other roles

It is positive to see that the intent for IWA is that it has a role beyond infrastructure planning, looking at other challenges such as procurement methods, maintenance and operation costs.

In the context of current budgetary constraints, new and collaborative approaches to infrastructure funding and project delivery should be considered by the State Government, and IWA has a clear role

in this. The proposal suggests that IWA will have a high-level role looking at funding and financing models from a 20 year whole of government perspective. We consider there is an opportunity to take this further, as occurs in other jurisdictions, and that IWA should look at how to facilitate infrastructure funding including new financial models in partnership with the private sector and all levels of government. IWA could undertake assessment of alternative funding options that, in part, could reduce government expenditure and provide opportunities to deliver sufficient infrastructure to meet the state's needs in the medium term.

We also see an opportunity for IWA to facilitate linking the State's asset recycling program to infrastructure funding, considering initiatives such as incentivising government agencies and government trading enterprises to actively review their land and property portfolios and participate in the asset recycling process.

The property industry is strongly supportive of the centralised role that the WAPC has in planning for the future of WA. We consider there to be significant potential benefit if IWA works alongside the WAPC to deliver strategic infrastructure planning that aligns with strategic land use planning. In doing this there will need to be clarity of roles for each body, and avoidance of duplication of effort. To this end we see no future need for the Infrastructure Coordinating Committee.

Ongoing evaluation of infrastructure project performance, and annual reporting on the Government's implementation of infrastructure projects is also a critical and supported role for the IWA, adding to the improved transparency and accountability that the new approach to infrastructure planning will bring.

Implementation

The property industry is keen to see the work associated with IWA commence as soon as possible. We understand that finalising the model and establishing the relevant legislation may take some time, however we are delighted to see the momentum that has been created so far on the IWA initiative, and we are keen that this continue, and the opportunity is not missed.

Establishing the IWA project and operations team; and commencing the infrastructure modelling and planning, will allow time and resources to be saved once the head of power is in place and the new IWA board operational, and will give industry confidence that the current proposal will become reality as soon as possible. As a priority the Property Council would like to see the audit and capacity assessment of existing infrastructure get underway, as establishing a baseline from which to future plan is extremely important.

We believe it is critical that IWA is appropriately resourced both financially and with an appropriately sized and skilled team of support staff. Ideally, and as suggested in the proposal, this team should operate independently of DPC to establish a degree of separation and independence of operations as well as decision-making. While we understand that the government is placing emphasis on efficiencies and streamlining of the public sector, the task of IWA is of such strategic importance that it will be critical to resource it accordingly.

The Property Council thanks you for the opportunity to provide industry feedback on this critical proposal. Should you wish to discuss our comments, please don't hesitate to contact me on 08 9426 1200 or by email to liacomella@propertycouncil.com.au.

Yours faithfully,



Lino Iacomella
WA Executive Director