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GPO Box 594 Canberra, ACT 2601

Submission to the Infrastructure Investment Program Review

Thank you for the opportunity to make a submission to the Infrastructure Investment Program Review (IIP Review).

The Property Council of Australia champions the industry that employs 1.4 million Australians and shapes the future of our communities and cities. Property Council members invest in, design, build and manage places that matter to Australians: our homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism, and hospitality venues and more.

The Property Council supports the objective of a more sustainable, nation-building IPP and recognises the need for budget repair. The comments in this submission focus on the principles necessary to transition the IPP to a 10- year rolling pipeline that targets nationally significant projects.

The Property Council recommends that the following principles be considered when transitioning the sustainable, 10- year pipeline:

Principle 1: Increase the influence of Infrastructure Australia when assessing projects

Principle 2: Consider population growth, city planning and sustainability when funding projects

Principle 3: Prioritise projects that embrace new sources of capital

We have provided further detail below and would welcome the chance to meet with the review panel and discuss our views in more detail.

Please don't hesitate to coordinate with Frankie Muskovic – National Policy Director at fmuskovic@propertycouncil.com.au or 0413 587 898 to arrange a meeting.

Yours Sincerely

Matthew Kandelaars

Group Executive, Policy & Advocacy

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Thank you for the opportunity to make a submission to the Infrastructure Investment Program Review (IIP Review).

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Context

International benchmarking research conducted by eminent Professor Greg Clark CBE, FAcSS on behalf of the Property Council found that Australian cities are behind their counterparts due to:

- Higher than average congestion
- Lower than average public transport coverage
- Growing commute distances
- Lengthening commute times and journey times
- Relatively low density urban forms leading to lower public transport suitability.

This is because Australia is accidentally pursuing a low amenity and low liveability model. Despite Australia's famed quality of life and the promotion of a national lifestyle ideal, the majority of new developments for the many people moving to Australian cities are low liveability, low amenity and situated in ex-urban areas that require lengthy commutes to centres of services and places of work.

This accidental low-liveability model is a consequence of coordination and policy failures that have not addressed the need for population growth to be sequenced with infrastructure, housing supply and services.

This context should inform the IPP Review to ensure that any reforms recommended will not only result in a sustainable, nation- building IPP, but assist in sequencing infrastructure investment with population growth to pursue a high amenity, high liveability model for Australia.

Term of Reference: Assess projects funded under the IIP and make recommendations on the merits of projects continuing

Principle 1: Increase the influence of Infrastructure Australia when assessing projects

Infrastructure Australia (IA) is a well-established adviser on nationally significant infrastructure matters including transport, energy, communications and water infrastructure.

As a recognised advisor, IA's key deliverables can be deployed to assist with the IIP Review of projects and the merits of continuing specifically:

- Assessment Framework¹
- Annual Infrastructure Priority List²,
- Infrastructure Audit³
- Infrastructure Plan⁴
- Delivering Outcomes roadmap⁵

By any measure, there are far too many instances of governments funding projects which have not been assessed as priority projects by IA, while other projects which have been assessed as high priority or priority projects go unfunded. The result is a lower level of economic productivity as less worthy projects supplant higher impact ones.

To transition the IIP to a sustainable 10- year rolling pipeline that targets nationally significant projects, the IIP Review should explore how the IA deliverables can improve the quality of decision making from the outset so that only those projects assessed as high priority are funded.

Term of Reference: Make recommendations for transitioning the IIP to a sustainable 10-year rolling pipeline

Principle 2: Consider population growth, city planning and climate risk when funding projects

To transition the IIP to a sustainable 10- year rolling pipeline, projects must be evaluated in the context of broader and longer-term dynamics: population growth concentrated in urban centres, corresponding management plans and the imperative to reduce emissions and ensure infrastructure is resilient to a changing climate. When these dynamics are taken into consideration, the full value of the infrastructure investment is unlocked.

It is clear from the work of the Greater Cities Commission, the regional analysis developed by the SEQ Council of Mayors, and the work undertaken on Metro Melbourne and Metronet, that a greater

commitment to understanding and addressing on metropolitan growth dynamics, the more compelling and persuasive the plans are, and the more likelihood of optimising infrastructure investment.

Infrastructure assets are long term investments which operate for decades. The IPP Review should explore how population growth and the corresponding management plans can be used to evaluate the merits and risks of projects within the 10- year rolling pipeline to ensure sustainability and maximise the return on investment.

Infrastructure built today will likely still be in use in 2050, at a time when Australia will need to be at or near net zero emissions in line with our commitment under the Paris Agreement. Emissions reduction strategies need to be coordinated with parallel efforts to build infrastructure that is resilient to the impacts of forecast climate change. It is critical to acknowledge the importance of planning, designing and building resilience in infrastructure alongside our transition to a net zero emission future.

The Australian Sustainable Built Environment Council (ASBEC)'s 2020 Issues Paper, *Reshaping Infrastructure for a net zero emissions future*⁶, noted that infrastructure influences 70% of Australia's annual greenhouse gas emissions.

Net zero emissions principles can be embedded in key phases, frameworks, priorities and decisions common across the diverse types of infrastructure projects. Infrastructure Australia's Infrastructure Plan, and Infrastructure Priority List provide key opportunities to embed net zero emissions principles into infrastructure plans, assessment frameworks and priorities.

Term of Reference: Make recommendations on reforms to ongoing and terminating infrastructure investment sub-programs

Principle 3: Prioritise projects that embrace new sources of capital

When making recommendations on reforms to ongoing and terminating infrastructure investment sub-programs, the IIP Review must recognise that governments, both Commonwealth and state and territory, have been pursuing an infrastructure investment 'catch-up' agenda to address the deficits revealed by strong population growth.

The investment cycle will need to continue for several decades to keep pace with population growth, even at a time of budget capacity constraints.

A consistent high rate of infrastructure investment and infrastructure finance innovation is what ensures that cities continue to catch up with inherited deficits and do not fall further behind. It is

necessary to develop a broader range of sources and mechanisms to pay for much needed infrastructure. This should increase and sustain the scale of investment and value for money.

Therefore, IIP Review must consider how ongoing and terminating programs have embraced new sources of capital such as asset recycling, public private partnerships, joint ventures with investors, and other forms of structured finance.