

Infrastructure WA - Proposed Model

RAC Response



For the better

Infrastructure WA

We thank the Department of the Premier and Cabinet (DPC) for the opportunity to provide comment on the proposed model for Infrastructure WA (IWA), an independent statutory body to provide expert advice to Government on infrastructure needs and priorities for Western Australia (WA). We also commend the Government for prioritising the establishment of IWA, which was a key election commitment.

About RAC

RAC represents the interests of more than one million Western Australians and is the leading advocate on the mobility issues and challenges facing WA. RAC works collaboratively with all levels of Government to ensure Western Australians have access to safe, easier and more sustainable mobility options.

About our submission

RAC strongly supports the establishment of IWA to provide more rigour and transparency in the planning, assessment and prioritisation of strategically important infrastructure projects. Infrastructure Australia (IA) and infrastructure advisory bodies in other states play a crucial role in ensuring infrastructure decision-making is evidence-based and reflects a long-term view of infrastructure needs. RAC believes, the establishment of a similar independent body in WA will help to ensure the best possible outcomes from public spending on infrastructure and support the State's future economic productivity by creating greater certainty around project delivery to encourage investment from the private sector. The liveability of our State, and the quality of life Western Australians enjoy is also intimately linked to effective infrastructure planning and delivery.

The establishment of IWA has been identified as a key element of the Government's *Plan for Jobs*. Job creation is acknowledged as being of vital importance to the future of the State and would be a positive by-product of all infrastructure investments, and this should be captured through assessments of the wider economic benefits of project proposals. However, as an overarching comment, RAC believes the assessment and identification of infrastructure priorities should be based purely on need and the overall economic benefit of infrastructure delivery.

RAC is broadly supportive of the proposed model for IWA but has some specific comments and recommendations relating to a number of aspects. While it is proposed that IWA's remit would encompass a wide range of infrastructure types, and this is supported, our submission is principally concerned with transport infrastructure (and the interactions with land use planning). Notwithstanding this, the inclusion of information and communications technology is also recognised as being essential, not least due to the flow-on implications for transport connectivity.

As we move forward, technology enabling vehicles to 'communicate' with each other (V2V), to road and transport infrastructure (V2I) and other entities that affect the vehicle and vice versa (vehicle-to-everything, or V2X) will become increasingly important.

Our submission is structured to respond to the following aspects of the proposed model for IWA:

- › Establishing IWA.
- › Improving long-term planning.
- › Informing decision-making over the short to medium term.
- › Better quality infrastructure proposals.
- › Other complementary roles.

Establishing IWA

Legislative basis: The proposal to establish IWA under an Act, with details to be set out in regulations, policies and guidelines to provide flexibility over time, is strongly supported.

Board composition: The proposed composition of the IWA Board is supported. RAC also welcomes representation of the Transport Portfolio (through the Department of Transport, DoT) on the Board. Likewise, we believe the community's interest is paramount in planning infrastructure in WA and RAC would welcome an opportunity to bring our longstanding evidence-based advocacy approach to infrastructure planning through representation on the IWA Board.

Selection of appropriate board members will be crucial to the success of IWA and it is agreed that individuals should be appointed based on their skills and expertise of direct relevance to the roles and functions of IWA.

Reporting and accountability: The proposal for the IWA Board and Chief Executive Officer (CEO) to report directly to the Premier has benefit, and RAC is not opposed to this. However, as there will be (albeit 'limited') opportunities for the Premier to direct IWA and the proposed long-term (20-year plus) infrastructure strategy (the Strategy) to be developed by IWA will only have the status of 'advice to Government', it will be essential for there to be a robust and transparent reporting, deliberation and accountability process in place. This will help to uphold the credibility of IWA as an independent advisory body and to promote bi-partisan support.



Timing: There is no timeline for the establishment and phasing of the roles and functions of IWA set out in the document. However, it is understood from stakeholder briefings that drafting and passage of legislation through Parliament is expected by the end of 2018, with informal commencement prior to that in mid-2018 and formal appointments and commencement by the end of 2018. The informal commencement is understood to include early works on the development of the Strategy, which is expected to take at least two years to develop and this would be followed by the first iteration of the short to medium-term plan early in the next term of Government. Expansion of IWA's remit to include the evaluation of business cases is then proposed to be a second phase in the establishment of IWA, with no advised indicative timeframe.

While it is understandable that the process will take a number of years, and development of the Strategy is and should be the highest priority, this does raise some potential considerations. Firstly, although it is considered important for work to commence as soon as possible on the Strategy development, it will be essential to ensure that doing so prior to the formal commencement of IWA does not compromise its independence. Likewise, the status of projects which would be subject to IWA assessment, once its remit is extended to include this, will need careful consideration to avoid unnecessary delays in delivery of the existing investment program but ensure proposed projects are not 'fast-tracked' to avoid scrutiny and are still subject to rigorous assessment.

RAC recommendations relating to the establishment of IWA:

- › Increased cross-party engagement should be undertaken following the review of feedback from this public consultation process in an effort to foster bipartisan support and facilitate enactment of the legislation.
- › The individual IWA board members should be appointed based on their relevant skills and expertise (e.g. relating to strategic infrastructure planning, delivery, design and construction). The CEO should be appointed by / based on the endorsement of the Board.
- › All IWA strategies, plans, reports, publications and advice to Government should be tabled in Parliament. Likewise, all IWA documentation, along with any direction given by the Premier to IWA should be made publicly available on IWA's website.
- › Appropriate interim measures should be put in place to ensure work progressed by DPC prior to the formal establishment of IWA does not compromise the independence of the Strategy.
- › Ideally, project proposals which have not been positively assessed by IA, or where construction has yet to commence when the first short to medium-term plan is tabled in Parliament should be subject to assessment by IWA (in line with the intent of IWA).

Improving long-term planning

Purpose and scope: RAC strongly agrees that developing, reviewing and updating a coordinated long-term infrastructure strategy should be IWA's key role. It is also agreed that this should set out the vision, identify infrastructure challenges, needs and initiatives and set strategic direction in the planning and provision of infrastructure. While the Strategy must be more than just a list of projects, to guide the development of the short to medium-term infrastructure plan (and a transport sectoral strategy / plan) there would still be a need for it to set out prioritised infrastructure project proposals which are considered to be crucial to addressing the identified challenges and needs for the State over the short, medium and longer term (similar to what has been done by Infrastructure Victoria in its 30-year infrastructure strategy¹). It is assumed that this is what is meant by 'initiatives', consistent with the definition used by IA for its Infrastructure Priority List, but may also include more well defined projects.

This will help to provide the necessary framework to enable a more holistic approach across agencies and sectors, allowing projects to be coordinated and (where necessary) trade-offs to be made between competing demands for limited funding to guide project prioritisation and investment decisions.

¹Infrastructure Victoria (2016), "Victoria's 30-Year Infrastructure Strategy", <http://www.infrastructurevictoria.com.au/sites/default/files/images/IV%2030%20Year%20Strategy%20WEB%20V2.PDF>

As acknowledged in the document, this has long been the 'missing link' in the Government's strategy and policy suite. When looking specifically at the transport sector, a number of strategic transport strategies and plans have been prepared over many years but there is no State-wide strategy and the transport plan for Perth and Peel (*Transport @ 3.5 Million*), adopted in February 2017, is not considered to provide sufficient strategic direction to give clarity to all agencies involved in planning the State's spatial development and transport networks, as well as the private sector.

Better use of existing assets: The proposal to incorporate both 'build' and 'non-build' options (e.g. smart technology and demand management solutions), as well as regulatory, policy and land use reforms within the remit of IWA, and the scope of the Strategy, is strongly supported.

The deployment of technology solutions as part of infrastructure projects or in place of infrastructure upgrades has been proven to enhance performance of road and public transport networks, and deliver significant economic benefits in other Australian states and overseas.

! **As part of Smart Freeways schemes (referred to as Smart Motorways in other jurisdictions), technology solutions such as real-time traffic measurement and monitoring, coordinated ramp metering, active lane management and variable speed limits for example have been successful in increasing capacity by 5 to 22 per cent and travel time reliability by up to 60 per cent, as well as reducing crashes by as much as 50 per cent².**

As such, Government agencies should be required to assess such options and seek to avoid inducing additional demand for infrastructure in the first instance, which may in part influence the Benefit Cost Ratio (BCR) and justify unnecessarily expenditure / not result in the greatest value for money in the longer term.

Supporting information and strategy review: It is agreed that the Strategy should be informed by an infrastructure audit and capacity assessment to help build the evidence base. This will require IWA to have access to all relevant Government data, research, modelling and analyses, etc. It should also include interrogation and validation of the work undertaken by agencies in developing previous strategies and plans (such as *Perth and Peel @ 3.5 Million* and *Transport @ 3.5 Million*), and identifying, planning and evaluating major projects which are currently or have previously been identified as being strategic priorities for the State to help identify the future challenges, needs and opportunities.



Consideration should also be given to the need for a range of potential future scenarios to be assessed, to help deal with the inherent uncertainties of strategic planning. A recent IA publication³ demonstrates the effectiveness of strategic planning tools such as scenario analysis in better informing investment and policy decisions over the next 30 years.

To ensure the Strategy remains current, and reflects economic, demographic / societal and technological trends and developments, etc. (which in the context of transport would include the potential opportunities and implications of new and emerging shared, on-demand and driverless mobility options), it is agreed that it should be reviewed and updated at least every five years. There should be no more than one review in any term of Government, and reviews instructed by the Premier should be subject to the recommendations around reporting and accountability discussed earlier.

Consultation: The proposal recognises the importance of consultation with industry, local government and community sectors in developing the Strategy and this is welcomed. However, there is no discussion of a proposed formal consultation process, particularly the stages at which there will be opportunities for input, any key stakeholders / bodies that will be consulted, the timeframe for public comment and how feedback would be dealt with.

It will be essential to ensure that consultation by IWA is not just a 'tick box' exercise, and that participation is sought in the development of the Strategy to encourage community and industry buy-in, and ideally bi-partisan support.

Adoption and reporting: As the Strategy will only have the status of an independent report to Government, it will be essential that Government is required to provide a formal response to the Strategy.

² Austroads (2016), 'Guide to Smart Motorways', <https://www.onlinepublications.austroads.com.au/items/AGSM16>.

³ Infrastructure Australia (2018), 'Future Cities: Planning for our growing population', <http://infrastructureaustralia.gov.au/policy-publications/publications/future-cities.aspx>.

RAC recommendations relating to improving long-term planning:

- › The Strategy should include prioritised infrastructure project proposals, particularly if the proposal for Government to develop the short to medium-term plan is implemented.
- › It is expected that the assessment of solutions to make better use of existing assets would be a requirement in the development of the short to medium-term plan, sectoral strategies and plans, and most critically business cases.
- › Early strategy development work should include interrogation and validation of planning work previously carried out by agencies, particularly the underlying assumptions, modelling and analyses which informed projects which were previously and are currently identified as strategic priorities.
- › Should a review of the Strategy be instructed by the Premier, this should be tabled in Parliament and reviews should ideally be limited to once per four-year term of Government.
- › The requirement(s) for a formal consultation process should be embedded in the legislation, and this should include the requirement for stakeholder and industry participation in the development of the 20-year Strategy and a minimum of a three month public comment period on the draft Strategy. IWA should be required to prepare a report detailing the consultation feedback and how it has been considered (including the nature, extent and reasoning behind any changes).
- › Government should be required to provide a formal response to the Strategy, within a specified timeframe which should ideally be embedded in the legislation.
- › The Strategy should include recommended Key Performance Indicators (KPIs) to aid monitoring and review of progress in implementing the adopted strategy and in working towards its objectives.

Informing decision-making over the short to medium-term

Short to medium-term infrastructure plan: The development of a plan(s) which sets out prioritised and costed projects for the four-year State Budget period and forward estimates, as well as considering emerging issues beyond that period (five to 10 years), is supported.

Preferably, IWA should be responsible for preparing such a plan to ensure ongoing alignment with the Strategy, with it being tabled in Parliament at least one year prior to upcoming elections. This would then help inform the State's four-year Asset Investment Program (AIP) in the Budget to ensure it remains evidence-based.

RAC recommendations regarding informing decision-making over the short to medium-term:

- › IWA should prepare a short to medium-term plan(s) but as a minimum, IWA's advice to the State Government in its development should be published on the IWA website.
- › The timeframe for release of the short to medium-term plan, and IWA's advice should ideally be stipulated within the legislation.

Better quality infrastructure proposals

Development of proposals / Business case development:

Input from IWA in the development of business cases for major infrastructure projects is supported. As referenced in the document, demand forecasting and insufficient assessment of 'do minimum' and alternative options have in the past been a limitation of some business cases. While assessment of a specific project may yield a strong BCR to justify investment, if it has not been robustly assessed and considered against a range of options, including consideration of non-build options as discussed earlier, it may not necessarily be the 'best option'.



As an example in the transport context, a recent BITRE research report⁴ drawing on two rounds of ex-post evaluations of national road investment projects concluded that there is considered to be 'much room for improvement in the quality of Australian CBAs if they are to be an effective tool for ranking options and prioritising projects'. Over-estimation in Net Present Value (NPV) was found to be caused by over-estimation of road user benefits, with errors mostly coming from inaccurate traffic forecasts and travel time cost saving estimates.

Given there are acknowledged limitations with the strategic transport and land use models used in WA, for instance the age and depth of source data used to determine travel behaviours, it is imperative that modelling and forecasting methodologies and assumptions are robust.

⁴BITRE (2018), "Ex-Post Economic Evaluation of National Road Investment Projects - Volume 1 Synthesis Report", https://bitre.gov.au/publications/2018/rr_145.aspx.

This reinforces the case for both independent expert advice as part of the development (and rigorous review) of business cases for infrastructure project proposals. The development (and evaluation) of business cases will need to take into account IA and other Federal funding requirements, to ensure final business cases have a greater likelihood of being assessed positively.

Evaluation of proposals: It is agreed that evaluation of infrastructure proposals exceeding \$100 million, focussing on the conceptual, business case and project definition plan stages of the proposal development should be a role for IWA to improve the quality and consistency of business cases.

RAC recommendations regarding better quality infrastructure proposals:

- › IWA's role in supporting the development of business cases could include establishing guidelines / a template to ensure consistency with IAs and Federal funding requirements.
- › It is considered that there may be value in exploring an interim approach to ensure IWA has some form of advisory role in relation to major city-shaping projects prior to the expansion of its remit to include evaluation of business cases.

Other complementary roles

Funding and financing: There is a clear role for IWA, potentially as part of the planning and concept design stages of a project, in providing advice to project proponents around appropriate funding and financing options which, in part, could reduce government expenditure and provide increased value for money in delivering infrastructure to meet the State's needs. This should include assisting in the identification of projects which could lend themselves to value capture or other more innovative funding or financing approaches (including Public-Private Partnerships and opportunities around the sale of air rights above METRONET Stations for instance), as well as assessing how this may influence the business case and value for money proposition. The selection and design of appropriate funding and financing mechanisms for different projects will be critical to their success, as will demonstrating linkages between the payments being made and the benefits to be received.

In principle, RAC supports the concept of capturing a share of value (or financial gains) received by private landowners and developers, etc. resulting from Government planning decisions and provision of publicly-funded transport infrastructure to offset some of the cost of providing that infrastructure. However, value capture is a complex issue and any mechanisms to be applied to projects would need careful and expert consideration to ensure they are an appropriate, equitable and efficient means of supplementing other funding sources.

The sale of station air rights could help to maximise development opportunities to support the METRONET vision of delivering stations that will provide 'the development of an integrated, transit oriented centre' and support the delivery of the rail infrastructure. Hong Kong's railway was built by MTR, a private company, in exchange for property development rights above and around stations. Similar approaches have been used for London's Crossrail project and in New South Wales. While these examples are in higher density cities where space is at more of a premium there may still be opportunities in Perth.

Further, direct user charges should only be considered as part of a broader reform of taxation on motorists and should not be imposed on top of the existing fuel excise charges as an additional tax. WA consistently does not receive an equitable proportion of the revenue collected from WA motorists and this should be rectified to help ease the burden of transport funding on the State. An RAC commissioned report on Motorist Taxation Revenue and Road Spending, prepared by Acil Allen Consulting, found that for every dollar the Australian Government collected in taxes from WA motorists in 2016-17, only 30 cents was returned for investment in WA roads.



From 2005-06 to 2016-17, the total return to WA motorists from the taxed levied by the Australian Government has averaged 28 cents per dollar collected per annum. Road-user charging is one area where IWA may need to provide advice to Government.

Sectoral and other infrastructure strategies and plans:

It is agreed that there would be value in IWA having input to the development of sectoral infrastructure plans, to ensure there is alignment with the endorsed Strategy.

Coordinating land development and the provision of infrastructure: It is agreed that IWA should work closely with the Western Australian Planning Commission (WAPC), which has responsibility for strategic land use planning throughout the State, but independence should be maintained and the roles and responsibilities of both should be clearly defined.

Furthermore, given that the remit of the Infrastructure Coordinating Committee (ICC) is to provide advice to WAPC on planning for infrastructure provision and it is proposed that IWA would perform an advisory and coordination role across Government it is agreed that there will need to be consideration of the ongoing need for the ICC, and potential future interactions.

Coordination with Infrastructure Australia and the Commonwealth: It is strongly agreed that IWA would be able to provide considerable value in coordinating and enhancing WA's interactions with IA, which should include the State's inputs to the Infrastructure Priority List (IPL), national infrastructure audit and infrastructure plan.

RAC recognises an unrivalled opportunity exists for the Australian and WA State governments to develop and invest in targeted transport infrastructure solutions that together will deliver liveability and productivity outcomes for WA and the nation.

Currently, the 2017 IPL which is prepared by IA to document nationally significant infrastructure projects only includes two priority projects for WA (one of which, Perth Freight Link, is no longer considered a priority by the State Government) and a limited number of priority initiatives. It is vital that the 2018 and ongoing updates of the IPL consider other nationally-significant projects and initiatives in WA and improving the consistency and quality of business cases submitted for review by IA will increase the likelihood of WA in attracting increasing levels of funding from the Australian Government.

Other advice: It is agreed that it would be appropriate for the Premier to be able to request advice from IWA as necessary on emerging strategic policy issues to help inform decision-making and that IWA should have capacity to propose a forward research program on an annual basis to support its roles and functions, including to inform advice to Government and reviews of the Strategy, etc.

While these may not need to be core functions of IWA, there could be value in IWA having an advisory or evaluation role in relation to:

- › ex-post evaluation of the effectiveness and return on investment for major infrastructure projects to help inform future evidence-based decision-making; and
- › market-led proposals, particularly where they would be in the public interest and align with the directions in the endorsed Strategy.

Where project governance structures include a multi-agency taskforce to lead project planning, such as the Westport Taskforce for instance, IWA should have some form of advisory role to ensure alignment with the endorsed Strategy.

RAC recommendations regarding other complementary roles for IWA:

- › IWA should have a role in providing advice on funding and financing options, as early as possible in the project development but should also have the capacity to assess the influence on business cases and make recommendations around alternative approaches at the evaluation stage if necessary.
- › IWA's input in the development of sectoral strategies and plans should extend to cross-sectoral engagement and participation to ensure an iterative and holistic approach is taken, particularly across transport and land use planning for example.
- › Consideration should be given to the need for, and value of, IWA having additional advisory and evaluation roles such as in relation to ex-post evaluation and market-led proposals and IWA's budget allocation should reflect all of its roles and functions (and should be included in the State Budget from 2018/19 onwards).

We thank the State Government for this opportunity to provide input into the establishment of IWA, which we envisage will be of crucial importance in ensuring infrastructure decisions are transparent and evidence-based and create value and increased stability for the future productivity of the State and Australia. We trust RAC's response will be of use to DPC in finalising the model.



For further information please
contact advocacy@rac.com.au

