



## Council of Social Service of New South Wales

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Inquiry into Public Infrastructure  
Productivity Commission  
LB 2 Collins Street East  
MELBOURNE VIC 8003  
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Dear Sir or Madam

As the peak body for the non-government community services sector in NSW, NCOSS is pleased to have this opportunity to respond to the Commission's Issues Paper for the current Inquiry into Public Infrastructure. Our comments follow the structure of the Issues Paper itself and are confined to those issues where we have some expertise and can add value.

### What is the scope of this inquiry?

NCOSS notes that the terms of reference for this Inquiry contain a number of ambiguities. Terms such as 'public infrastructure', 'private financing', 'economic infrastructure', 'major infrastructure projects' and 'nationally significant economic infrastructure' are not defined.

The Commission, through its Issues Paper, has attempted to define these terms but has done so in a narrow way that in our view risks detracting from the potential outcome of the whole exercise.

The Commonwealth Government is primarily focused on ways of encouraging greater private financing of economic infrastructure such as transport and communications networks, and water and energy utilities. On the other hand, there are already models of state governments using private capital for social infrastructure<sup>1</sup>, such as health facilities and public housing estate redevelopments, and it makes sense that the Commission consider what lessons those projects might offer in developing a framework to better meet our present and future public infrastructure requirements.

Equally, compared to the work of the previous Infrastructure Finance Working Group<sup>2</sup>, the Commission canvasses a quite narrow range of funding reform options. We agree that both user charging and asset sales are amongst the options available to governments to consider but would argue that so is value capture from major transport infrastructure projects, which the Working Group identified as an appropriate source of future revenue.

NCOSS considers that social and affordable housing is a vital form of social infrastructure and should be considered as part of the Inquiry. We are alarmed that only 2% of the NSW Government's infrastructure budget for 2013-14 is to be invested in social housing supply, and we have

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<sup>1</sup> By which we mean buildings and facilities to provide health care, education and training, social and affordable housing, recreation and cultural activities, and other caring functions. The definition of social infrastructure used for local area planning will clearly differ from that used at the city, state or national levels.

<sup>2</sup> *Infrastructure Finance and Funding Reform*, Infrastructure Finance Working Group, April 2012.

recommended that the Government consider hypothecating the proceeds of its Waratah Bonds program to investment in new social and affordable housing<sup>3</sup>.

We are aware that other groups have proposed various forms of ‘housing bonds’ at the national level and consider that these deserve consideration as part of any private financing agenda.

### The importance of public infrastructure

Clearly public infrastructure is vitally important to the community. It provides the basis for our transport systems, water and electricity supply, health and education systems, and for the economy.

Despite the good work of bodies such as Infrastructure Australia and, more recently, Infrastructure NSW, as a nation we still lack a rounded and widely accepted mechanism for identifying and measuring the infrastructure needs of the community.

We don’t know, for example, how well infrastructure provision, and particularly social infrastructure provision, is keeping up with population growth in urban areas. Feedback from our members suggests that this problem is no less serious today than it was in earlier periods of strong population growth.

### The provision of public infrastructure

Despite efforts to improve the methodology used in public infrastructure planning, there is no community consensus as to how this should appear. Different stakeholder groups and communities will have vastly different priorities and often different views as to the most appropriate delivery model for identified priority projects.

A serious systems failure is the difficulty in getting different levels of government to work together to address agreed public infrastructure shortfalls. There is no starker illustration of this than the failure of the Commonwealth and NSW Governments to jointly address Sydney’s public transport shortfalls or to agree on a suitable site for a second Sydney airport and work together to make it happen.

On the other hand we see funding commitments made to some projects without robust assessment. For example, the WestConnex road project has received joint funding despite only being rated by Infrastructure Australia as an ‘early stage’ project<sup>4</sup>.

It is clear from the most recent report to COAG by Infrastructure Australia that greater investment in public transport infrastructure is a key public infrastructure challenge. In its 2013 report it said ‘*public investment* in urban transport should focus on *public transport*, with expansions to the urban road network funded by users, not all taxpayers...the national priority list has identified well developed [public transport] proposals that would support liveability in our cities and benefit growing urban areas’<sup>5</sup>.

In the face of this advice, it is extremely disappointing that the Commonwealth Government has announced instead that it will only be supporting road infrastructure projects in our capital cities.

### Funding mechanisms

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<sup>3</sup> *Sharing the Benefits: Making NSW Fairer – NCOSS Pre-Budget Submission 2014-15*, NCOSS, October 2013, recommendation 10.1 p. 36.

<sup>4</sup> An ‘early stage’ rating means insufficient work has occurred to make a judgement as to whether the proposed solution is the best way to address the identified problem. The other ratings are ‘real potential’, ‘threshold’ and ‘ready to proceed’. Only ‘ready to proceed’ projects have been judged as meeting all of Infrastructure Australia’s criteria.

<sup>5</sup> *National Infrastructure Plan June 2013*, Infrastructure Australia p. 40.

As the Issues Paper notes, ultimately all forms of public infrastructure must be paid for by users, taxpayers or by other beneficiaries of infrastructure provision, such as through developer charges.

All levels of government face clear revenue shortfalls and NCOSS believes the time has come to have a mature discussion about revenue measures that can improve the current situation without further financial imposts on low and moderate income households. While some targeted 'capital recycling' can also play a role, this should not be seen as an easy solution to a deeper problem.

We are not opposed to considering ways of securing private financing for some necessary forms of public infrastructure. The revenue streams associated with such financing, such as user charges and availability payments, can have varying distributional and behavioural impacts which require careful analysis.

### Financing mechanisms

NCOSS does not have firm views about various private financing mechanisms and associated risk allocation and contracting issues. We will be interested to consider what proposals the Commission puts forward in its Draft Report.

If the Commission requires further clarification or information on the matters raised in this submission, please do not hesitate to contact Mr Warren Gardiner, Senior Policy Officer (housing & homelessness, planning & infrastructure) on 02 9211 2599 ext 112 or email [warren@ncoss.org.au](mailto:warren@ncoss.org.au)

Yours faithfully

A handwritten signature in cursive script that reads "Alison Peters".

Alison Peters  
Chief Executive Officer