

25 December 2013

Mr Peter Harris AO
Chairman, Productivity Commission
Public Infrastructure Inquiry
LB2 Collins Street East
Melbourne VIC
infrastructure@pc.gov.au

Dear Mr Harris

PUBLIC INFRASTRUCTURE INQUIRY

The Australian Sustainable Built Environment Council (ASBEC) welcomes the opportunity to respond to the Productivity Commission inquiry on Public Infrastructure. ASBEC is the peak body of key organisations committed to a sustainable built environment in Australia.

ASBEC's membership consists of industry and professional associations, non-government organisations and government observers who are involved in the planning, design, delivery and operation of our built environment, and are concerned with the social and environmental impacts of this sector.

ASBEC's interest in this Inquiry relates principally to the role of infrastructure in supporting more productive, sustainable and livable communities. Relevant to the Inquiry's consideration of funding and governance supporting infrastructure delivery, ASBEC's policy platform advocates:

1. A coordinated and accountable approach to cities with recommendations for more innovative financing mechanisms for infrastructure, and a broadened role for Infrastructure Australia supported by the development and measurement of our cities' performance through clear indicators.

Relevant to the Inquiry's consideration of opportunities to reduce whole-of-life costs of infrastructure, ASBEC's policy platform includes:

2. A framework to improve the resilience of the built environment in the face of climate change, with government working with industry to improve engagement, leadership, research, access to information and education, incentives, regulation, building codes and standards, planning systems and insurance and financial services.



Funding, financing and governance

In 2013 ASBEC, as part of the Urban Coalition¹, released *A New Deal for Urban Australia*² outlining how a new infrastructure investment asset class could be developed offering lower risk, credit enhanced returns for both institutional and retail investors. *A New Deal* outlines how funds raised would capitalise a special purpose statutory investment vehicle to provide attractive seed finance to qualifying projects. The goal is to develop long-dated investment products that deliver guaranteed total returns more attractive than standard government bond rates: Credit enhancement through a tax rebate of 10 per cent and a capped government guarantee are proposed.

A New Deal represents the type of innovative thinking urgently required to better leverage public and private investment in infrastructure across urban and regional Australia. As the Commission undertakes this Inquiry, the Urban Coalition is currently building on the recommendations outlined in *A New Deal* with a view to developing a more comprehensive approach to infrastructure funding that draws on the experience of the United Kingdom's City Deals³ policy initiatives. This approach will propose new financing mechanisms delivered through a better understanding of the value and breadth of productivity benefits that flow, not just from individual projects, but also from packages of projects and initiatives. This approach better reflects the true value of infrastructure investment supporting jobs and more liveable, productive and sustainable communities. The Urban Coalition will be pleased to discuss this approach with the Commission as it is developed in the months ahead.

Working alongside the delivery of new financing for infrastructure projects, *A New Deal* also outlines the importance of a strengthened role for Infrastructure Australia to help ensure that for every dollar invested by the government in infrastructure, the best possible return is achieved for taxpayers and investors.

A robust, independent and transparent process and governance model for the evaluation, prioritisation and decision-making supporting infrastructure delivery is essential. While many infrastructure projects are prioritised through clear and rational assessment, in some cases decision making risks being misconstrued, and may appear to be driven by political exigency where no clear process or guidelines for assessment have been developed. When communities are competing for scarce dollars, clear processes are essential to assess, rank and prioritise projects. Decisions must be robust and stand the test of changing political and economic circumstances.

Building resilience

Essential to improving value for money outcomes, and reducing foreseeable costs over the full infrastructure lifecycle, is building resilience into our infrastructure assets.

ASBEC has developed a ten-point policy framework for government to work with all relevant stakeholder groups to deliver comprehensive adaptation strategies through a whole-of-government approach.⁴ A coordinated, well-resourced, and nationally consistent suite of policies is essential to ensure that the built environment and associated infrastructure is protected from predicted risks. Although ASBEC's work in this area has been focused on strategies for residential and non-

¹ Comprising: Australian Sustainable Built Environment Council, Association of Building Sustainability Assessors, Australian Conservation Foundation, Australian Institute of Architects, Consult Australia, Green Building Council of Australia, National Growth Areas Alliance, Planning Institute of Australia, Property Council of Australia, Urban Development Institute of Australia

² Urban Coalition, April 2013, *A New Deal for Urban Australia*, www.asbec.asn.au

³ <https://www.gov.uk/government/policies/giving-more-power-back-to-cities-through-city-deals>

⁴ ASBEC, A Framework to Improve Resilience, <http://www.asbec.asn.au/asbecs-policy-platform/#Resilience>

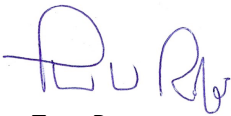
residential buildings and precincts, it is equally, vitally important to protect infrastructure against the effects of climate change.

ASBEC urges governments to work with the infrastructure sector to develop a coordinated approach to their adaptation requirements, using elements of this framework as a basis, as appropriate. The case for action in this regard is clear and well evidenced. The costs of inaction are substantial and well documented in ASBEC's 2012 report: *Preparing for Change: A Climate Change Adaptation Framework for the Built Environment*.⁵

Though the issue of resilience is not directly addressed in the Commission's Issues Paper, with a view to managing future cost pressures on infrastructure, it is critical governments act now to mitigate foreseeable risk. This is an important additional issue we urge the Commission to consider as they progress this inquiry in the weeks ahead.

If you would like to further discuss any issue raised in this submission, please contact Acting Executive Officer, Julie-Anne Richards on (02) 8006 0828 or by email at julie-anne@asbec.asn.au. ASBEC commends the Productivity Commission for undertaking this inquiry, and looks forward to working together with the Commission to achieve better outcomes for all Australians.

Yours Sincerely



Tom Roper
President
Australian Sustainable Built Environment Council

⁵ ASBEC, 2012, *Preparing for Change*, as at:
<http://www.asbec.asn.au/files/ASBEC%20Preparing%20for%20Change%20Report%20FINAL.pdf>