



## General Comments

- Australian Motoring Enthusiast Party (AMEP) supports the need for the report prepared by the Productivity Commission.
- AMEP acknowledges the budgetary pressures that are influencing long term and social infrastructure provision, and concurs that project selection methods should be economically sound, with long term benefits, not based on short term political objectives. Economic assessment and benefit realisation must be strengthened across all levels of Government (local, state and federal) to assure that public monies are invested in the area's with the most benefit.
- AMEP strongly believe that the people should not have to pay for poor Governance.
- AMEP supports the intent of Information request 13.1 as a positive step to investing in our young adults and Australia's skills base in the future.
- Learning from failed project examples (Example) - Sydney Airport Rail link: Governments should consider the actual end cost to users and the alternatives available before funding partnership arrangements like the Sydney Airport Rail Link. The failure of the airport rail link is a result of the excessive station charge (in the order of \$20). The average user can choose to pay up to \$30 for a train ticket to the airport; could go by bus for \$8; ride by taxi from one rail station over (\$25); park for the day (\$40); or be dropped off by a friend (free). Consider also that the return trip cost is the same. A user could expect to pay \$40 extra, just for the pleasure of using rail based public transport that would normally cost only a few dollars to the next station on the line. Daily flyers travelling interstate for daily business, quickly find this is far from economical too, so other means (taxi from Sydney CBD for instance) become for more attractive. Comparative reality must be considered in any model.

## Government Funding and Expenditure

- From 1987 to 2007, infrastructure investment did not exceed 1.6% of GDP and went as low as 1.1% GDP, despite the implementation of new taxes such as GST. From 2008 to 2012, a 2.1-2.3% GDP investment was made. It can be argued that this promoted growth in the civil construction field at a time of wind down from the mining boom, propping up the economy through the GFC. AMEP believe the best balance of infrastructure investment for economic growth is to invest at 2% GDP. An ongoing government commitment to the public should be made to keep this

investment above 1.5% to make the infrastructure industry sustainable and promote the future growth of Australia as nation.

- AMEP believes a national Infrastructure deficit is holding back productivity growth. This is most evident in Sydney (demonstrated by the NSW 2021 plan), though other major cities are also showing similar issues at various levels of delay.
- AMEP supports that Public Private Partnerships are 'definitely not a magic pudding'. Government has capacity for higher investment in projects of high net social benefit, using current fiscal and debt management practices by implementing suitable reforms.
- Direct road user charging in its current form (e-tags) is supported on motorways where users can see and reap the benefits of faster, convenient travel. This type of approach should continue on the whole. Public expectations should not be underestimated. Toll roads should offer a faster more convenient journey at a rate the public can consider 'value for money'. Failure to offer value for money is quickly demonstrated by major project failures as demonstrated in the commission's report.
- AMEP is strongly opposed to expanding ways to user charge on existing roads. Expanding the user pays system onto existing roads would lead to increased pressures on families by driving up the cost of living. It will also increase overheads on business (small, medium and large) placing downward pressure on economic growth.
- While digital technology growth offers many things, the Australian public should not be subjected to constant road monitoring of trips and locations. The freedoms of the Australian people to travel without Government monitoring must continue. If such schemes were to be implemented, the AMEP implies that public would expect the scrapping of taxes on registration, fuel excise and vehicle stamp duty.
- The Commission report recommends the sale of many government assets (ports, airports, electricity). AMEP promotes careful consideration of long term costs ripples to the community, and reminds government that public ownership of assets is directly linked to public willingness to pay tax. Selling off too many assets for short term benefit will lead to public backlash, questioning "why do we pay taxes if government no longer own the assets".
- AMEP supports the creation of a national infrastructure fund, as a transparent source of funding. Application to gain funding can be administered uniformly with stronger emphasis placed on sound economic analysis and benefits realisation.

### **Rising cost pressures in Infrastructure Projects**

- The consideration of rising public infrastructure costs within the report, appears to have overlooked the impacts of changing government plans (transport plans etc) over the past 50 years. These changing plans and short term government visions have lead to the sale of reserved corridors and other land parcels. Parcels that later have to be bought back from industry, or the public, at inflated market rates.

Retaining ownership of these “lazy assets” keeps costs of major infrastructure projects down by minimising the property acquisitions. With land rates continually rising this makes long term sense but only if government development and growth plans stay somewhat consistent and are applied through an ongoing project pipeline.

- Environmental pressures from biodiversity offsetting also appears to have been overlooked by the report. Today’s projects compared to 20 years ago, now require offsets for endangered species, threatened species, endangered ecological communities and national parks. These can be overlapped if the opportunity presents but various factors influence the ratio of the offset. A ratio of 10:1 can mean many thousands of hectares of land would need to be sourced to offset the impact. It is not sustainable or economically sensible to continue this practice, particularly where residential growth, sensitive environments and major projects coincide.

Securing offsets and the use of schemes such as bio-banking (relatively new practice but somewhat limited), to offset the impact of a major project can be a significant cost component of the major project development. In some cases up to 20% of the project budget can be absorbed by land purchases for impact offset.

AMEP believes the government has a reform role to play in finding a sustainable solution to the offsetting of development impacts on the surrounding environments.

- The report appears to have overlooked the impact of State and Federal Government restructuring of the public infrastructure services. The restructures have led to a loss of skills, knowledge and motivated workers in these areas. The loss of these staff may add up to equivalent full time positions removed (budget dollars saved) but research will reveal that other costs rose to cover ‘the gap’ left by the lost skills. An example of this occurs as skilled workers often move on to establish consultancies that are later engaged to do the same work at a higher net cost to government. Less motivated or skilled employees hang onto roles through these restructures, for fear of not being able to secure other work. The net result is the same overall cost but a loss of leadership direction in the public service ultimately leading to reduced efficiency or poor project decisions.

Job security, integrity and personal development opportunities must be maintained in the public service to encourage and keep skilled staff. AMEP believe that this accounts for suggestions of poor project management and in some cases over optimistic estimating on major projects.

If the public service remains an attractive choice for skilled workers to build a career, the net benefit to government over time can only increase through an efficient and capable workforce.

### **Savings through Public Infrastructure**

- AMEP strongly supports the commission’s findings that substantial reforms to project scoping and design, due diligence, improved probity management, avoidance

of overloading tenders with unnecessary obligations and increasing government sophistication would reveal substantial savings. AMEP suggests that emphasis on project scoping and strategic design is the most valuable of all, noting that at 20% design, the project has already determined 80% of its final cost. Cost influence is at its highest early in a projects development. By the time a project reaches the stage of contract signing for construction, the ability to influence the final cost has dropped to as low as 25%.

Overall AMEP supports the commission's suggestions that a 10% reduction in delivery costs is achievable.

- A Building Information Modelling (BIM) approach is a whole of life approach that is strongly recommended by AMEP. The current levels of red tape within and between government departments when managing interfaces is incredibly cumbersome and resource intensive. Projects relocating utilities is the best example of the extensive costs that projects incur by managing the interfaces. In the civil construction industry Public Utilities Relocations remains in the top 2 for WHS incidents and the top two for project budget cost blow outs.

National development of a BIM model starting in major cities should be progressed by government as a top priority to generate significant efficiency for project delivery, and also to demonstrate government leadership in Work Health & Safety.

- A continuous project pipeline will assure the consistency of projects that will establish market sustainability. Intermittency of projects drives private enterprise tender costs up at times of boom and undercutting tenders at times of lag. An inconsistent market of infrastructure projects also leads to skilled staff reshuffles during times of down time. Consultancies and major construction companies have to reduce and then re-employ resources as projects go hot and cold. Inconsistency in the quality of work delivered by private enterprise is often revealed after such shifts. Projects may go great with the same company on one project, but bad with the next as the company down turns its staff to tighten the business budget.

\

**P O Box 4542, Springfield Qld 4300**

**Phone: (07) 3297 5853 – Fax: (07) 3297 7853**