



IPWEA

INSTITUTE OF PUBLIC WORKS
ENGINEERING AUSTRALASIA

4 April 2014

Public Infrastructure Inquiry
Productivity Commission
Locked bag 2, Collins Street East
Melbourne Vic 8003

Dear Sir/Madam,

Public Infrastructure Inquiry – Submission by IPWEA

About IPWEA

IPWEA is the peak professional organisation providing member services and advocacy for those delivering public works and engineering services to the community.

Our mission is to enhance the quality of life of communities through public works and services across Australia and New Zealand and increasingly internationally. IPWEA is a federation made up of a central Australasia body and seven divisions.

Our main areas of focus are Infrastructure asset management, plant & vehicle management, parks management and sustainability in public works.

IPWEA researches and publishes many practical reference documents including the International Infrastructure Management Manual (IIMM), Australian Infrastructure Financial Management Guidelines (AIFMG) and a number of Practice Notes.

See <http://www.ipwea.org/bookshop>.

IPWEA builds capacity in the main sectors of local government and public works through delivery of training workshops. These are delivered across Australia and New Zealand, but also in several Provinces in Canada, to the Hong Kong Police and for the US Federal Highways (FHWA) and State Departments of Transportation. Our CEO has recently been reappointed to the FHWA Transportation Asset Management Expert Task Group.

Focus of Submission

IPWEA's submission is focussed on three aspects:

1. The Role & Use of Debt in Local Government
2. Engineering Skills Shortage
3. National Registration of Engineers

1. The Role & Use of Debt in Local Government

Councils have more money in the bank than they have debt, on average.

Local government has extraordinarily low levels of debt relative to the security and the level of its income base and the nature of its responsibilities.

IPWEA and the Australian Centre of Excellence in Local Government (ACELG) recently jointly released a discussion paper titled “Debt is not a dirty Word – The Role and Use of Debt in Local Government”. IPWEA led the project and commissioned leading LG economist John Comrie to research the paper.

It is worth noting some of the key points from the paper, which may be downloaded here:

<http://www.ipwea.org/blogs/chris-champion/2014/02/24/greater-use-of-debt-by-councils-recommended-for-future-performance>.

Local government service provision is asset-intensive and infrastructure assets have on average long useful lives. In such circumstances, it is impossible over time to finance the acquisition of new assets, while at the same time financing warranted asset renewal, without significant reliance on debt.

Under-use of debt will result in inter-generational inequity in services and charging decisions - and an inability to accommodate needs for new capital works and asset renewal.

Local governments are debt averse. Many councils are likely to better serve their communities by making greater use of debt. And many have considerable capacity to deal with urgent asset renewal needs.

Current local government debt-related attitudes and practices are often encouraged in guidelines and the requirements of State or Territories. These instructions reflect approaches that were commonly advocated in the old cash accounting era.

Debt levels in local government should not be ‘as low as possible’ in an absolute sense but should instead be as low as possible relative to what is needed to provide affordable, preferred service levels on an ongoing basis. Intergenerational and equitable rating and charging decisions need to be maintained.

Recommendation:

As a first step, state and territory local government associations and local government regulatory agencies, and national peak bodies, need to meet to explore the merits of reforms to promote better use of debt, and treasury management, by local governments.

This IPWEA / ACELG discussion paper provides valuable research and conclusions. It is an opportunity to seriously raise the conversation about debt and its role in financing much needed infrastructure renewal. IPWEA supports the conclusions of this research and will work with ACELG in informing local government and other decision makers about its potential value, particularly in addressing asset renewal backlogs.

(Note: The conclusions in the discussion paper are necessarily general. Some of the findings and proposals may be less relevant, or irrelevant, to individual councils depending on their particular circumstances.)

2. Engineering Skills Shortage

The cost of reduced engineering skills has been a hidden cost to local and other levels of government and unfortunately it is difficult to know the real extent of those costs. The situation will worsen, as less engineering skills are available in the community.

Without engineering skills the cost of new projects will rise.

Without the knowledge of how to optimise the timing of maintenance of assets, prepare cost effective asset plans, knowing the most cost effective maintenance techniques, the cost of maintenance will rise.

Infrastructure asset management plans are the key to long-term financial plans, which is paramount to financial sustainability. Engineering skills are paramount in preparing infrastructure asset management plans.

For local government, having the capability and resources to maintain infrastructure is just as important as being able to deliver new infrastructure to the community.

The other side of the skills shortage coin is risk, and an increasing lack of engineering capacity is placing greater demand on scarce resources, increasing the likelihood of engineering failure. When it comes to infrastructure, the consequences can be catastrophic.

The engineering skills shortage is made worse for local government which must compete with the mining sector and the private civil construction sector for engineering skills and worse again for country and remote councils.

Each of our 3 strategies has a different target audience:

- The secondary school student and attracting them to engineering studies,
- The person with a need for a pathway to a career in engineering that at the same time reduces the burden on the professional engineer and

- The undergraduate engineer that needs practical work experience that can assist and retain them in their engineering studies and attract them to work in the local government sector and importantly in the regions.

Recommendations:

IPWEA seeks support for 3 programs that can contribute to addressing the engineering and related skills shortage in local government and beyond:

1. Make the already successful “Build a Bridge” project a nationally available program for secondary school students.
2. Take the nationally accredited “Diploma of Public Works” to a program delivered nationally and
3. Establish a national bursary program for the provision of “part time work experience” for engineering undergraduates.

More detail on these strategies is available in IPWEA’s Submission to the Senate Inquiry into Engineering Skills Shortage available here:

<https://www.dropbox.com/s/bwkououqf1vedmd/IPWEA%20NATIONAL%20SUBMISSION%20SENATE%20ENG%20SKILLS%20SHORTAGE%20INQUIRY%2029%20FEB%202012.pdf>

3. National Registration of Engineers

As a peak body representing Australian professional engineers, IPWEA considers that Australia should have nationally consistent State registration systems for professional engineers. This would:

- Help address skills shortages and enhance mobility;
- Enhance public safety; and
- Improve consumer protection.

Engineers play a key role in modern Australia, designing and developing vital cogs in our economy, society and everyday lives. The standard, quality and availability of engineers are of fundamental importance.

With more than a dozen different Acts and subordinate legislation regulate some engineering services in most States and Territories. The current inconsistent and largely self-regulatory set of regimes for engineering registration in Australia present a barrier for transport of labour and fail to provide adequate protections for community safety, health and welfare.

The consequences of engineering failure can be devastating. Ensuring that qualified and competent professionals observe statutory codes of practice that mandate their obligations to community, clients and colleagues is a key outcome of our joint proposal of Engineers Australia, Consult Australia, Professionals Australia and IPWEA.

Australia is facing a shortage of some 20,000 engineers. Making sure engineers can go seamlessly to where they are needed is key to dealing with this shortage in a practical and immediate way.

Recommendation:

That a national system for engineering registration be implemented to ensure that there is portability of the profession across jurisdictions to bring efficiency to the system while making sure standards are protected.

IPWEA would be pleased to assist the Productivity Commission in its Public Infrastructure Inquiry in the above or other issues that can enhance the delivery of infrastructure and services to our community.

Sincerely,

Chris Champion
Chief Executive Officer
IPWEA Australasia