



**CHAMBER OF COMMERCE AND INDUSTRY
QUEENSLAND SUBMISSION**

▼ *Draft State Infrastructure Plan*

Department of Infrastructure, Local Government and
Planning

DECEMBER 2015

1. Overview

1. As Queensland's peak business body, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide a submission to the Department of Infrastructure, Local Government and Planning on the Draft State Infrastructure Plan (the Plan).
2. The Plan seeks to "provide confidence and certainty to industry, the community and all levels of government about the future direction for infrastructure provision in Queensland". Split into two parts, Part A outlines the overarching strategy while Part B details a 1-4 year plan for already announced projects and "opportunities" over the 5-15 year horizon.
3. CCIQ welcomes the Plan as a positive step, but believes that the absence of new projects over the medium to long-term outlook will be detrimental to the growth of the Queensland economy. The future uncertainty of major infrastructure projects, alongside "indicative only" funding figures for projects in the short-term, will not provide the stability and confidence for businesses and consumers alike.
4. As such, the Plan has been received by industry as having fallen short of expectations and requiring more robust planning and commitment to long-term infrastructure delivery. More specifically, business feedback indicates a desire to see the identification of actual projects that the State Government is wishing to progress. However in general, CCIQ is supportive of the strategy, processes and frameworks proposed in the Plan.
5. There is widespread recognition among the business community that the role played by infrastructure in sustaining Queensland's economic growth is significant. Recent CCIQ survey results found that 42 per cent of small businesses identified "uncertainty to the future of large infrastructure projects" as a key area that most negatively affected their business during State Election campaign periods.
6. Regional towns in particular rely on certainty and commitment to future infrastructure projects to assist in business planning and strategy. Especially with large projects that involve permanent or temporary relocation of workers to these regional and rural areas, businesses can tap into the enormous opportunity and capitalise on an increased consumer base and consumer spend.
7. Infrastructure spending has an immediate effect on aggregate demand. Jobs are created for locals and workers, whose income is then spent in the economy. This creates further demand across the small business economy.
8. Furthermore, infrastructure (no matter hard or soft) leads to improved efficiencies for businesses and is a critical factor in raising the level of competitiveness for the Queensland economy. The state cannot afford stalled investment in infrastructure as other states and countries move rapidly forward with securing future long-term projects particularly our nearest neighbour New South Wales.
9. Industry needs a final State Infrastructure Plan that can garner bipartisan commitment to long-term implementation. If Queensland is aiming to have world cities and thriving towns that can

compete on an increasingly global market, the government of the day must set a vision and put in place a plan that surpasses their own terms of political office.

10. CCIQ welcomes the approach by the State Government to foster innovation as one means to plan and deliver infrastructure. With Queensland expected to grow to a population of seven million people by 2036, this will place major strain on our ageing infrastructure. Those cities and towns that have the creativity to make the most of alternative funding models will be the ones that thrive.

2. Long-term strategy

11. The development of a pipeline of projects is an absolutely critical step, if not the first step, in the strategic planning of Queensland's infrastructure needs. Identifying the gaps and opportunities over the five to 15 year horizon provides a platform for government to declare new projects and deliver certainty to the business community. New projects, along with a plan for funding and timing, are key to increasing business confidence and spending across industry.
12. Together with short political cycles, short-term investment horizons, a lack of viable financing structures and a long-term vision, much needed investment in infrastructure and development is being impeded.
13. Findings have shown that Australia needs an additional \$770 billion, or about half of the country's current GDP, to close the infrastructure investment gap over the next decade¹. A considerable portion of this gap is attributed to Queensland where our geographical constraints mean that expansive infrastructure is required to move people and freight.
14. It is predicted that Queensland's Liquefied Natural Gas (LNG) pipelines will deliver more Direct Economic Contribution (DEC) in 2031 than was delivered by the entire Australian gas transmission pipeline sector in 2011. Furthermore, Queensland is expected to overtake New South Wales in terms of the DEC of airport infrastructure by 2031². Such projects require a clear direction forward and government commitment in order to optimise the benefits.
15. Without long-term infrastructure projects in the pipeline, a number of issues will arise including:
 - a. Use of repeated, costly studies by new governments which often result in deferring hard decisions;
 - b. Stop/start projects with investment write-offs;
 - c. Higher risk premiums for investors and contractors;
 - d. Major expense and disruption as older infrastructure is being retrofitted rather than new infrastructure responding to anticipated needs; and
 - e. Loss of employment and skilled personnel because there is no credible pipeline of infrastructure development and maintenance.

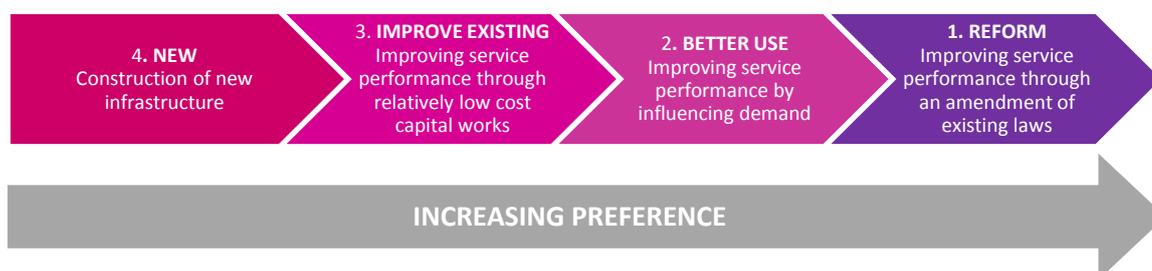
¹ Infrastructure Partnerships Australia

² Australian Infrastructure Audit Report of 2015

16. Industry needs certainty in the infrastructure delivery process as the often “go / no go” approach dependant on political whim in the electoral cycle can result in an adverse impact on productivity. A coherent pipeline will allow the industry to develop effective delivery plans and coordinate resources including its workforce.
17. There are examples abroad which could be deployed in Queensland. For example, the Canadian Government commits part of their budget to maintain funding for at least ten years to the Building Canada Fund. Ten year budgets with sound estimates of the infrastructure outlays should be adopted by Australia’s Federal and State governments to secure jobs and economic outcomes into the future, not just for today.
18. In the State Government’s submission to Infrastructure Australia (September 2015), a number of existing and new projects were identified for the Infrastructure Priority List. The State Government outlines how these projects are of high priority, but fails to provide a detailed strategy or strong commitment to increase the certainty of these projects going ahead.
19. The mention of these programs without imbedding them into the 5-15 year plan does not provide the necessary confidence to the business industry in order for them to start developing business strategies for growth. Some businesses would certainly stall the process until these infrastructure projects are given the green light.

3. Options hierarchy

20. The “options hierarchy” as detailed in Part A (and summarised below) outlines how “low cost options that either maintain or improve services to Queenslanders, will be considered over ‘big ticket’ infrastructure projects that achieve similar outcomes”. This policy direction is likely to impact on business and consumer confidence, and would not be seen as favourable across the industry.



21. These four areas should fundamentally work in tandem rather than separately, and certainly not against a preferential system. Under this framework, any new public infrastructure works will almost certainly stall and diminish opportunities for infrastructure investors to enter the market, due to low levels of government buy-in.
22. Furthermore, options one and two at the top of the preference list would not typically involve heavy private sector involvement especially in the construction industry, subsequently impacting on jobs and the growth of this vital sector.

23. Government's obligation at the end of the day is to play a part in each of these areas, not to categorise them as "options". Reform is a fundamental part of governance, as is finding efficiencies in the current systems. Additionally, all government-owned infrastructure will naturally require maintenance as part of ensuring a safe and reliable network of infrastructure for the use of its citizens.
24. The role of government in funding or co-funding construction of new infrastructure is essential. The issue with relying solely on private parties is that private infrastructure investments are taking on high risks as a result of significant capital costs, long construction timeframes, sovereign risk and the inability to control a multitude of externalities that could impact on the return on investment. Relying heavily on private investment for the delivery of large infrastructure projects will result in a chronic under-provision.

4. Measuring performance

25. The Plan states that "for long-term infrastructure programs, it will be important to measure progress against the government's objectives (such as) creating jobs and a diverse economy". Furthermore, it was stated that baseline indicators and success measures for each of the responses will be developed collaboratively with state agencies in accordance with the infrastructure class and included in the 2017–18 first revision of the State Infrastructure Plan.
26. CCIQ advocates for more substantive performance indicators and reporting that will demonstrate transparency and accountability. Effectively measuring and communicating how government has performed, and how they plan to meet emerging challenges, should be integral to Queensland's system of government.
27. Key performance indicators should be set and made public to hold government accountable. Furthermore, solid performance measurement and reporting system will:
 - a. Fully inform government's resource allocation to best achieve its policy goals;
 - b. Help departments to understand how well they are meeting government's performance expectations, and provide the basis for them to continually improve their performance; and
 - c. Enable Parliament and the community to understand the challenges facing government, and its achievements in addressing these and areas for further focus.
28. The measurement of government performance needs to also capture a more holistic approach. Having a measurement of performance of both the positive economic outcomes and cost of the infrastructure gap is important to move ahead. The measurements used by Infrastructure Australia on Direct Economic Contribution (DEC) for instance, allows industry and the wider community to understand progress in this space.

29. For example, the DEC of urban transport in the south-east corner of Queensland is projected to grow from \$13 billion in 2011 to \$31 billion in 2031, with over 90 per cent of this DEC growth attributed to road infrastructure. This is a faster rate of growth than either Sydney or Melbourne.
30. The cost of delay on this urban transport network in 2011 was around \$2 billion. In the absence of any additional capacity (other than projects already under construction or funded), the cost of delay is projected to grow to around \$9 billion in 2031³.

5. Innovation

31. Ineffective and inconsistent regulation has had adverse outcomes for infrastructure users, small businesses and the wider Australian community. These include high costs in parts of the electricity sector, poor pricing decisions leading to potential problems in the future for the water sector, and poor levels of cost-recovery in the transport sector. Greater independence of regulatory oversight would improve the quality of decision making.
32. Too often short-term plans do not enable effective innovation that can deliver excellent, well designed community outcomes while providing value for money. Early and broad engagement with the private sector, particularly in collaboration with relevant organisations and institutions, should facilitate better understanding of the infrastructure challenge and opportunities, and produce high value infrastructure solutions.
33. While public-private partnerships (PPPs) are appropriate for some projects, the Government has a responsibility to manage and deliver critical projects that cannot attract private investment. For projects where PPPs can be achieved, there is a need to create incentives for the service providers to make that investment and perform.
34. Addressing underinvestment in infrastructure, in light of tighter budgets at every level of government, calls for us to rethink how we pay for and manage infrastructure. While private investment will never be a complete substitute for government spending on infrastructure, we can better achieve a state-of-the-art infrastructure network by expanding the sources of investment and using those dollars, whether public or private, as effectively as possible.
35. Project investors need greater certainty in planning for the delivery and financing to mitigate risk. Government should work to accelerate the process where possible, including improving cross-agency coordination to shorten the decision making process.
36. All things considered, CCIQ welcomes the approach by government to foster innovation in planning and delivering infrastructure. This not only involves innovation around the procurement and financing processes of delivering infrastructure, but also in the development and operation of the end product itself. As asserted by Engineers Australia, the application of digital technology

³ Infrastructure Australia (2015) Australian Infrastructure Audit Report

to the development, operation and coordination of infrastructure is the key to future productivity growth in Australia.

37. CCIQ also welcomes the new approach by the Queensland Government for market-led proposals that can deliver successful projects and programs. Government must ensure that when private companies capitalise on major infrastructure opportunities, they are supported by the right framework that allows them to undertake the work viably and minimise project risks.

6. Conclusion

38. CCIQ advocates that the final State Infrastructure Plan include clear plans for the provision of infrastructure into the future. The delivery of infrastructure over the 5-15 year outlook should include innovative funding methods which improve upon the current PPPs to create a better investing environment.
39. Certainty around future infrastructure will bring wider economic benefits and boost the confidence of businesses and consumers for a number of reasons:
- a. Job prospects into the future given that large infrastructure is typically a major employer
 - b. Infrastructure projects are developing skills at all levels of the workforce
 - c. New infrastructure will open up access to new high-growth markets
 - d. Investment in environmental infrastructure creates a lean and efficient economy that reduces waste and saves the tax payer money
 - e. Investment in diverse technologies can bring about cleaner, cheaper and more reliable energy
 - f. Digital infrastructure (much like the NBN) will help communities grow and access key opportunities
40. Furthermore CCIQ calls for the removal of an infrastructure “options hierarchy” that essentially separates the different components in the overall infrastructure delivery process. Any hierarchy should be centred around the assessment of each individual project on its merits.
41. We thank you for the opportunity to provide comment and welcome any feedback you may have. Please contact Catherine Pham, Policy Advisor, at cpham@cciq.com.au for matters relating to this submission.