



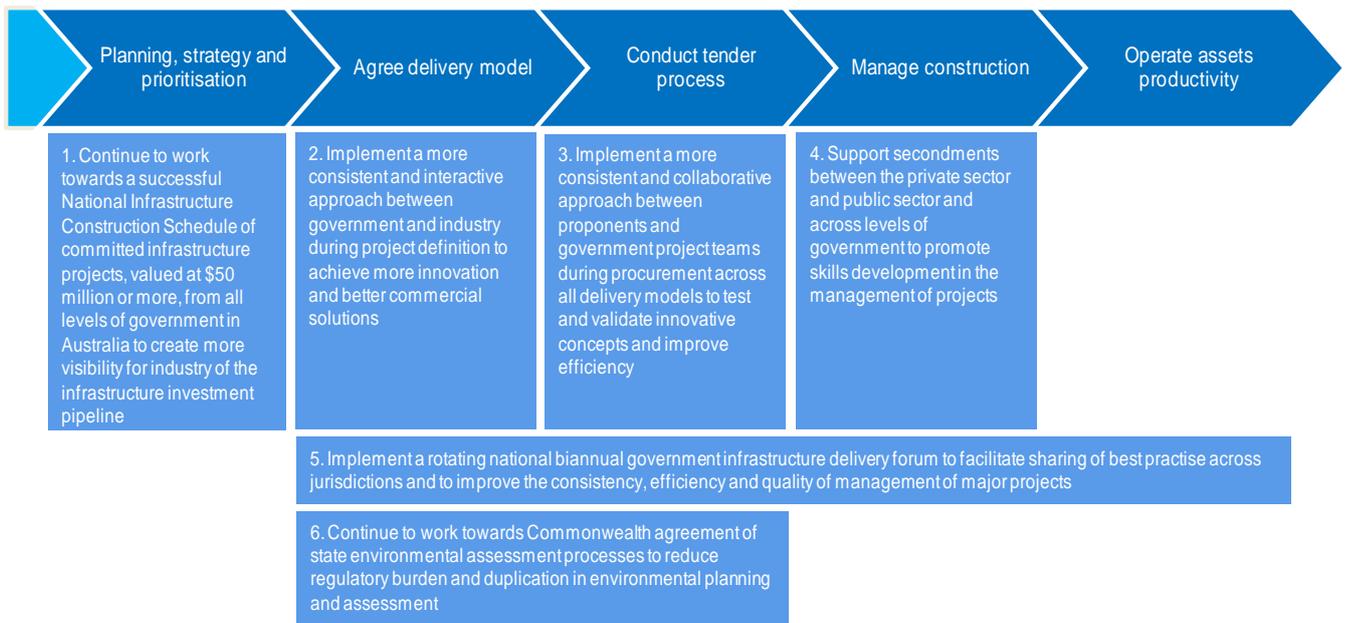
BETTER VALUE INFRASTRUCTURE PLAN COAG PAPER

At the August 2011 Council of Australian Governments (COAG) meeting the NSW Premier committed to develop a Better Value Infrastructure Plan with the objective of assisting governments in Australia to drive better value in infrastructure development and delivery.

The Better Value Infrastructure Plan has been developed in consultation with industry and focuses on practical actions to enhance the value achieved from the public dollar spend.

The Plan recommends improvements across the infrastructure design and delivery value chain that are a priority for industry and that support effective work practises with the infrastructure industry.

Priority Actions for Better Value Infrastructure



Focusing effort in these areas of priority for industry will maximise the achievement of better value for our infrastructure investment.

The right infrastructure built at the right time for the right cost

The last 5-7 years has seen a sharp increase in both public and private infrastructure investment to replace existing assets and develop the infrastructure network to meet the needs of an expanding population. The emphasis on achieving better value is not simply about achieving lower cost or short term efficiency gains. Value is maximised through the delivery of long term improvements and enhancements to our infrastructure systems such that service levels and life cycle costs are optimised.

Achieving better value from infrastructure spend will improve productivity, drive economic growth and provide better public amenity.

Our research indicates that by dollar spend 50% of the nation's publicly funded infrastructure is delivered by the private sector. The private sector is often best placed to understand the options around technical solutions to deliver infrastructure and the opportunities to provide innovative models and approaches that can offer significant benefits to individual infrastructure projects.

The Better Value Infrastructure Plan is focused maximising the involvement of and gain best value from the private sector.

Driving efficiency along the infrastructure value chain

The Better Value Infrastructure Plan presents opportunities across the entire value chain, and across all procurement models, suggesting a broad range of reforms that could address current issues with the infrastructure pipeline, planning legislation, delivery approach and public sector capacity and capability.

Research and consultations have shown that there are several broad issues impacting on the value achieved in current infrastructure provision:

- The lack of a coordinated and staged national pipeline of projects that can be relied upon with confidence.
- Limitations in the effectiveness and efficiency of infrastructure procurement across the value chain.
- The complexity and layering of environmental and planning legislation across federal and state jurisdictions.

The typical issues experienced by industry along the infrastructure value chain are as follows:

- Lack of coordinated strategic infrastructure planning can result in service shortfalls and a lumpy pipeline of projects
- Inconsistent approach to the preparation and evaluation of business cases can impede prioritisation and funding allocation and result in the wrong suite of projects being put to market
- Unclear decision making and commitment around project selection and prioritisation can lead to stop start programs
- Lack of clear communication of project priorities, staging and timeframes for delivery erodes market confidence
- Insufficient engagement with industry to determine the most effective form of delivery limits value and innovation opportunities
- Insufficient visibility of delivery model and proposed procurement approach impacts industry ability to effectively prepare and respond
- Risks are often not allocated to those best able to manage them, but to those least able to resist them
- Complex planning and environmental assessment and approval processes can extend the project timeline and add cost
- Inconsistency in public sector skills and capability impacts procurement efficiency and outcomes
- Tendency for excessive probity to limit industry engagement during procurement at the expense of optimal technical solutions
- Poor scope definition during procurement can lead to subsequent construction delays and costly project variations
- Developing and maintaining skills, capability and capacity is a challenge for both government and industry and impacts on the ability to deliver projects
- Lack of adequate consideration of whole of life costs during procurement results in assets that are often not operated efficiently
- Lack of system and network wide analysis in investment decision making results in sub optimal utilisation of existing assets

Better value infrastructure, design and delivery

Actions are proposed around four interlinked objectives in the table below.

Statement of intent	Proposed Actions	Outcomes	Benefits to government
Objective: Create more visibility and continuity of the infrastructure investment pipeline			
Create visibility in the short to medium term pipeline of infrastructure projects across Australia	<ul style="list-style-type: none"> (a) Publish a National Infrastructure Construction Schedule of committed infrastructure projects from all three levels of government in Australia (b) Develop a coordinated, rolling medium term (3-5 year) committed project pipeline supported by each jurisdiction (c) Increase the emphasis on coordinated strategic land use and infrastructure planning to maximise effective decision making 	<ul style="list-style-type: none"> • Better visibility to industry of the medium term pipeline • Industry is able to match capacity and skills • Increased Innovation • Improved supply chain efficiency • Improved linkages between state and Commonwealth strategies and the project pipeline 	<ul style="list-style-type: none"> • Increased certainty for industry • Lower construction costs • More effective decision making • Increased capacity and competition in the market
Improve consistency between state and Commonwealth stage gates and evaluation methodologies for project approval and funding decisions	<ul style="list-style-type: none"> (d) Create more consistency in state and federal project stage gate processes (e) Ensure a transparent approach to project evaluation and prioritisation based on a consistent Cost Benefit Analysis methodology 	<ul style="list-style-type: none"> • Improved prioritisation of projects • Increased certainty of project timing and delivery 	<ul style="list-style-type: none"> • Increased private sector funding possibilities • Prioritised delivery of the 'right' projects
Objective: Adopting a smarter approach to infrastructure delivery			
Improve the engagement between government and industry	<ul style="list-style-type: none"> (a) Adopt a consultative approach between government and industry based on regular and consistent interaction (b) Implement a consistent interactive approach between government and industry during project definition (c) Implement a collaborative approach between proponents and government project teams during procurement across all delivery models 	<ul style="list-style-type: none"> • More informed decision making around procurement by government • Better understanding of government capacity, constraints and limitations • Better and more focussed tenders • Increased innovation. 	<ul style="list-style-type: none"> • Improved value for money • More innovative technical solutions • Better informed implementation strategy and decision making • Better commercial solutions • More efficient procurement • Better understanding of industry capability and capacity
Improve the rigor in evaluating options that optimise existing infrastructure systems and services	<ul style="list-style-type: none"> (d) Review, evaluate and optimise the performance and service delivery levels of existing asset portfolios and networks (e) Update the project development frameworks and processes to introduce a stronger focus and analysis of existing infrastructure to meet identified service needs 	<ul style="list-style-type: none"> • Reduced capital expenditure as a result of increased capacity of existing infrastructure • Improved asset utilisation • Improved service levels from existing assets, networks and systems • More informed decision making • Better understanding of asset condition and performance 	<ul style="list-style-type: none"> • Selection of best value options over the lifecycle of the asset • Improved infrastructure system performance • Higher productivity and satisfaction of service users • Better application of limited financial resources

Statement of intent	Proposed Actions	Outcomes	Benefits to government
Objective: Improving capability and cross-jurisdictional knowledge and skills transfer			
Improve collaboration and knowledge transfer across states and agencies, to encourage consistent and efficient behaviors and approaches	<ul style="list-style-type: none"> (a) Develop a knowledge and information management strategy and framework for national infrastructure delivery (b) Scope the potential for a central knowledge 'hub' for infrastructure (a common portal for all agencies and states to access consistent data, information, tools) (c) Review and coordinate existing research and other partnership arrangements across the country 	<ul style="list-style-type: none"> • Enhanced communication between agencies, states and industry • Improved learning of lessons and sharing of critical project / delivery knowledge • Consistent application of tools, systems and processes (regardless of agency or state) 	<ul style="list-style-type: none"> • Help to mitigate impact of skills and knowledge leakage from the sector • Reduce inefficiencies across agencies by applying learnings & knowledge from other agencies, states, etc • Cost savings through nationally consistent application of tools, systems and processes • More creative and innovative solutions developed
Enhance the delivery capability and capacity across all levels of government to enable and support effective infrastructure provision	<ul style="list-style-type: none"> (d) Implement a rotating national biannual government infrastructure delivery forum (e) Conduct a national review of critical capability and capacity gaps in the sector (focusing on sector demographics, retirement rates etc) (f) Develop a comprehensive skills and capability development strategy for infrastructure provision (g) Support secondments between the private sector and public sector and across levels of government 	<ul style="list-style-type: none"> • Clarity on high risk / exposed capability areas • More competent and highly skilled staff across the value chain • Improved recruitment and retention of staff in critical areas of delivery • Improved cross agency and cross jurisdictional sharing of best practice and lessons learned • Improved awareness and communication at a national level • Improved skills development in the management of projects 	<ul style="list-style-type: none"> • Clarity on the major capability and capacity gaps across the country. This will enable better planning and resource allocation • Reduced risk exposure in areas of skill or capability shortage • Reduced operational costs associated with staff retention, training, capability building and knowledge management • More efficient and consistent prioritisation, planning and delivery of projects and programs
Objective: Reducing the regulatory burden and duplication in environmental planning and assessment			
Establish new administrative arrangements to support state led environmental assessments	<ul style="list-style-type: none"> (a) Continue to work towards Commonwealth agreement of state environmental assessment processes to avoid duplication across levels of Government 	<ul style="list-style-type: none"> • Transparency in processes • Improved assessment quality • Single assessment and approval process where practicable • Consistency in assessment and approval • Greater efficiencies in project delivery 	<ul style="list-style-type: none"> • Reduces duplication of effort • Clear roles and responsibilities • Decision making delegated to appropriate level • Lift standards of assessment across States/Territories
Investigate opportunities to make greater use of strategic environmental assessment under section 146 of the EPBC Act 1999 for infrastructure plans or strategies	<ul style="list-style-type: none"> (b) Develop a methodology that allows the Commonwealth's strategic assessment of state policies, plans or programs under the EPBC Act to be completed within 12 months (c) Explore options for accreditation of state strategic planning and policy processes 	<ul style="list-style-type: none"> • Early resolution of planning and environmental issues • Certainty of pipeline projects • Clarity of role of differing levels of government 	<ul style="list-style-type: none"> • Australian Government able to provide input / oversight early in planning process, and at landscape scale • Certainty for State/Territory Governments • Anticipated reduction in cost of infrastructure project delivery as a result of greater certainty

National Implementation

The following actions are proposed on the basis that they are a priority for industry and that they will have significant impact on the value of infrastructure provision.

No.	Priority Action for Industry	Work to Date
1	Continue to work towards a successful National Infrastructure Construction Schedule of committed infrastructure projects, valued at \$50 million or more, from all levels of government in Australia to create more visibility for industry of the infrastructure investment pipeline	<p>A National Infrastructure Construction Schedule (NICS) has been developed by the Commonwealth Department of Infrastructure and Transport. The NICS will be a publication of a national pipeline of committed infrastructure projects over \$50m and major contracts over \$25m.</p> <p>Queensland's three year rolling pipeline of committed infrastructure projects has been recognised as best practice by industry</p>
2	Implement a more consistent and interactive approach between government and industry during project definition to achieve more innovation and commercial solutions	Industry noted the success of Western Australia's model that allows interaction between proponents and government to discuss the most appropriate delivery model and project brief.
3	Implement a more consistent and collaborative approach between proponents and government project teams during procurement across all delivery models to test and validate innovative concepts and improve efficiency	Through the Infrastructure Working Group, guidelines have been or are being developed on best practice in procurement and delivery of infrastructure, including PPP Guidelines, Alliance Guidelines and Design and Construct Guidelines
4	Support secondments between the private sector and public sector and across levels of government to promote skills development in the management of major infrastructure projects	In NSW, recent changes to the Public Sector Employment and Management Act enable public servants to be seconded within and outside the NSW public sector to stimulate innovation and improve skills and knowledge.
5	Implement a rotating national biannual government infrastructure delivery forum to facilitate sharing of best practise across jurisdictions and to improve the consistency, efficiency and quality of management of major projects	<p>Currently there is not a national platform for state and Commonwealth government officials to share knowledge, experience and learnings relating to the delivery of infrastructure projects.</p> <p>NSW is offering to host the first National Forum in early 2013. It is proposed that the focus of the forum be on Action 2 above - achieving innovative and commercial solutions through an interactive approach between government and industry during project definition.</p>
6	Continue to work towards Commonwealth agreement of state environmental assessment processes to reduce regulatory burden and duplication in environmental planning and assessment	<p>As part of the Seamless National Economy Reforms, COAG has agreed to develop reforms for environmental regulation in order to avoid duplication of regulations and regulatory burden. This reform agenda is being developed by the COAG Working Group on Environmental Regulation Reform.</p> <p>The Working Group is currently working towards Commonwealth accreditation of state environmental assessment processes that meet the agreed national standards.</p>