



Infrastructure WA

Proposal for public consultation



February 2018

Department of the Premier and Cabinet
Dumas House
2 Havelock Street
West Perth
Western Australia 6005

Phone: (08) 6552 5000
Fax: (08) 6552 5001
E-mail: infrastructurewa@dpc.wa.gov.au

© Government of Western Australia 2018
ISBN 9780730702863 (hard copy)
ISBN 9780730702870 (online)

Premier's foreword

This year, Western Australians celebrated the 10th anniversary of the opening of the Perth-Mandurah rail line.

The project was criticised at the time, but can you imagine what Perth would be like without it? Living in Rockingham, I see the benefits of the project every single day – hundreds of cars taken off the road, easing congestion, and passengers from the southern suburbs enjoying an efficient, modern connection to the city.

The project is an excellent example of the benefits that can flow when infrastructure is done the right way – long-term jobs and an asset that will serve the community for decades to come.



Investment in infrastructure is critical in growing the economy, generating new jobs and in supporting sustainable and vibrant communities.

Strong planning when it comes to schools, public transport and roads are the things that really matter to families. They are the 'bread and butter' of any government.

There is a need for more integrated and coordinated planning to build the infrastructure we need.

In the past, infrastructure planning and decision-making has, at times, had a short-term focus that can be susceptible to politicisation.

We need to get this right in order to plan for the State that we would like to leave for our children and grandchildren. We also need to create jobs.

The establishment of Infrastructure WA represents a new approach to infrastructure planning and decision-making in this State. One that ensures taxpayers' money is invested wisely, with strong returns to the State.

It is an important component of the McGowan Labor Government's vision to create a strong, diverse and resilient economy and a pipeline of jobs for Western Australians.

Infrastructure WA will help foster a more bi-partisan approach. It will help ensure investment in the right projects, at the right time.

The certainty that there is a plan for the next 20 years and beyond will create a better environment for private sector investment and more secure, long-term jobs.

I encourage you to consider the proposals outlined in this paper and provide feedback.



Mark McGowan

Premier of Western Australia



Contents

Premier's foreword	i
1 Introduction	1
2 Establishing IWA	5
2.1 Representation.....	6
2.2 Reporting and accountability	6
2.3 Support and administration	7
3 Improving long-term planning	9
3.1 Scope of infrastructure	9
3.2 Better use of existing assets.....	10
3.3 Supporting information and strategy review	10
3.4 Consultation	12
3.5 Adoption and reporting	12
4 Informing decision-making over the short to medium-term.....	15
4.1 Short to medium-term infrastructure plan	15
5 Better quality infrastructure proposals	19
5.1 Development of proposals	19
5.2 Evaluation of proposals	21
5.3 Project assurance and monitoring	24
6 Other complementary roles.....	27
6.1 Funding and financing.....	27
6.2 Coordination of land development and infrastructure provision	29
6.3 Sectoral and other infrastructure strategies and plans.....	32
6.4 Advice	33
6.5 Coordination with Infrastructure Australia and the Commonwealth	33
7 How to make a submission.....	37



1 Introduction

The provision of infrastructure can be a powerful catalyst for achieving social, environmental and economic outcomes. If the right projects are delivered at the right time, infrastructure plays a major role in improving economic competitiveness and productivity, supporting businesses, and creating jobs (both direct and indirect). There are well established links between infrastructure investment and economic gains. The International Monetary Fund estimates that each dollar of infrastructure investment could boost economic activity by as much as \$1.80¹.

Effective planning and coordination of infrastructure is essential in an environment where there are competing demands for finite resources. It is government's role to ensure that investment relates to desired policy outcomes, and provides maximum benefit for the community. With multiple entities within and outside of government responsible for the planning and delivery of infrastructure, it is a significant challenge to ensure that infrastructure is planned in a coordinated manner, and that the right infrastructure is delivered in the right place at the right time, and for the right price.

Today, Western Australia is home to more than 2.5 million people, with around 2 million of the State's population residing in Greater Perth. By 2050, it is estimated that more than 3.5 million people will live in Greater Perth, with just over an additional 1 million living in the State's regional areas.

Western Australia will continue to experience population growth and change into the future. While this growth will no doubt bring enormous opportunities, it will also increase demand on the State's resources, social and physical infrastructure and services, and the natural environment. New initiatives, and alternative models, will be needed to meet these infrastructure needs across the State.

Issues in Western Australia in relation to infrastructure planning, decision-making and delivery are similar to those that have been experienced in other states. These include the absence of a long-term strategy or plan; the need for more robust advice to inform investment decisions; inconsistent sectoral strategies; inconsistent project evaluation, governance and monitoring systems; and limited interaction and engagement with the private and not-for-profit sectors.

¹ IMF Note to the Group of Twenty Deputies (February, 2009)



... Government is seeking to improve long-term planning, decision-making and delivery of infrastructure.

There are opportunities to improve infrastructure planning across the short, medium and longer-terms, both from a single agency and a whole-of-government perspective. This will lead to better and more informed choices around infrastructure priorities, resulting in fewer costly project delays and cancellations and ensuring best value is delivered to the taxpayer.

Through its commitment to establish Infrastructure WA (IWA), the Government is seeking to improve long-term planning, decision-making and delivery of infrastructure. IWA will have a range of roles and functions, including the development of a long-term infrastructure strategy and the evaluation of proposals above a specified threshold. The proposed model places a stronger focus and greater effort on longer-term strategic planning as a means of informing sectoral infrastructure plans and selecting the right projects at the right time. With an evidence based and transparent strategy in place, over time greater focus can be placed on how proposals can be improved, packaged or delivered more efficiently.

The model proposed by Government seeks to:

- support a more bipartisan approach to infrastructure planning and prioritisation
- establish a strong foundation and evidence base to identify longer-term infrastructure needs across the State, and to inform subsequent shorter term plans and strategies
- embed more rigour and transparency in project planning, development and decision-making
- improve engagement with other levels of government, the community and industry on infrastructure planning and delivery
- improve the evaluation of proposals and the quality and consistency of business cases
- increase innovation in infrastructure planning, delivery and management
- increase awareness of the challenges relating to infrastructure planning and delivery
- increase investor confidence that projects will be delivered
- better coordinate the way infrastructure is planned and delivered, and integrated with surrounding land uses.



Where possible, the IWA model seeks to build on or bring together existing functions performed within government, rather than create new processes. The model essentially creates a single 'home' for critical whole-of-government infrastructure functions. Given the scope of the proposed initiatives, it is likely that IWA's functions will be phased in and evolve over time.

Figure 1 provides an overview of IWA's proposed role at key points in the infrastructure planning cycle.

The IWA model has been developed in the context of current public sector reforms that seek to deliver government services more efficiently. Key findings and recommendations of the Inquiry into Government Programs and Projects will be taken into consideration in finalising the model for IWA. The Inquiry will examine governance arrangements, decision-making processes, transparency and financial consequences of a range of State Government programs and projects. Findings of the Service Priority Review will also be considered.

Stakeholder comment is invited on each of the proposals presented in this paper. For information on how to make a submission, please refer to Section 7.



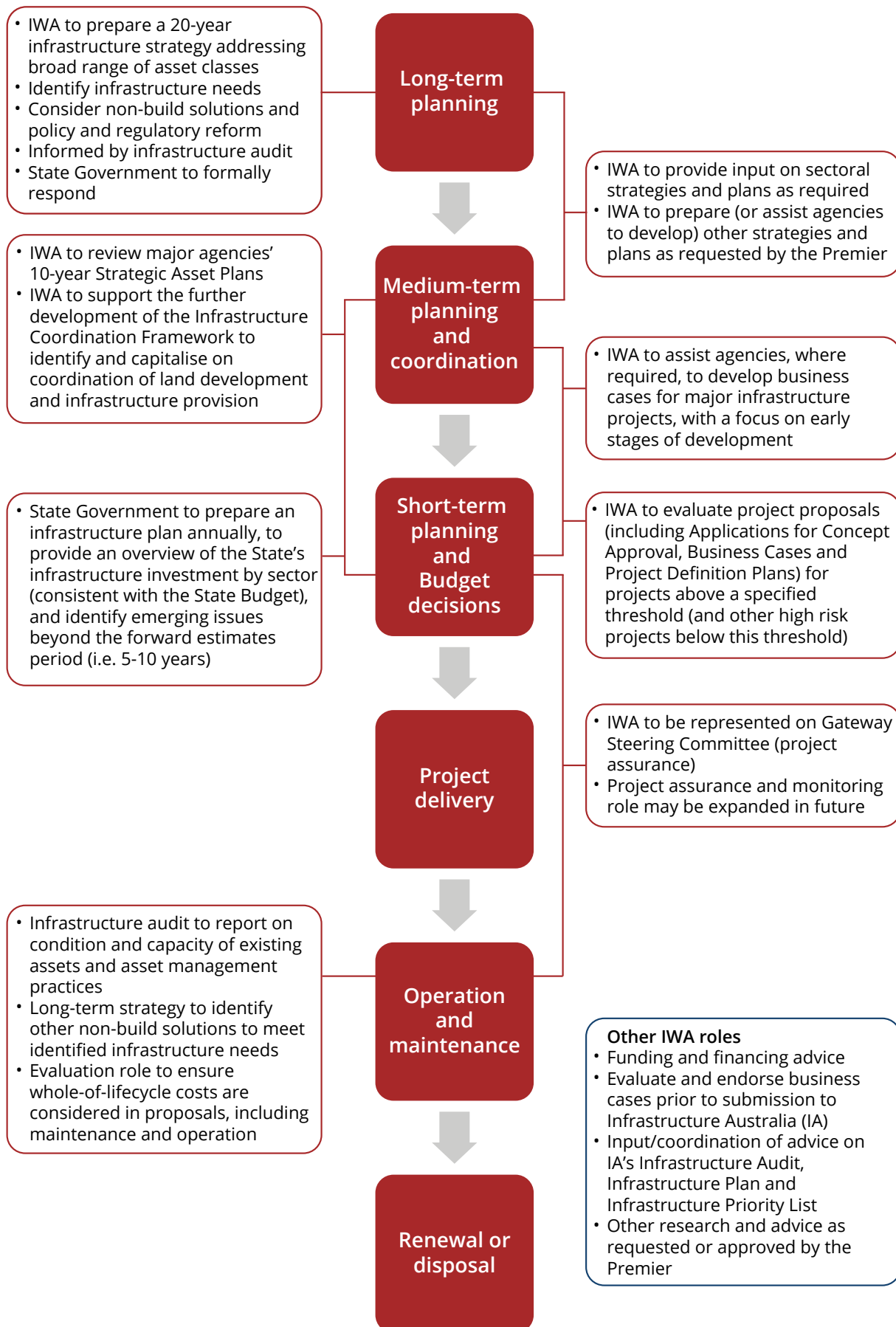


Figure 1: Overview of proposed model

2 Establishing IWA

Infrastructure is planned, delivered and maintained by all levels of government, as well as by the private and not-for-profit sectors. Harnessing these perspectives and expertise is crucial in forming a sound and credible view of the long-term infrastructure needs for the State. An independent, long-term view is essential to better inform decision-making in infrastructure planning, and in gaining support for major proposals from industry, business and the community.

Models established in other jurisdictions have addressed this through the establishment of an independent advisory body, with a board comprised of members representing both the public and private sectors. In most cases, key roles of these bodies include preparing a long-term evidence based infrastructure strategy or plan, evaluating infrastructure proposals, and advising government on a range of infrastructure matters. Some of these infrastructure bodies also have roles in shorter-term infrastructure planning, project development, delivery and monitoring.

INFRASTRUCTURE ADVISORY BODIES IN OTHER JURISDICTIONS

Independent infrastructure advisory bodies have been established through legislation by the Commonwealth Government ([Infrastructure Australia \(IA\)](#)), and by governments in Victoria ([Infrastructure Victoria \(IVIC\)](#)), New South Wales ([Infrastructure NSW \(INSW\)](#)) and Queensland ([Building Queensland](#)). Each infrastructure body has a board ranging from 7 to 12 members, including an independent Chair with a majority of non-government members and 3 or 4 heads of specified government agencies (except for IA whose board has no government representation).



2.1 Representation

Non-government representation on the board is critical to the success of IWA, with members having appropriate skills and expertise to support IWA's defined roles and functions. It is proposed that the board include a majority of non-government members (or a casting vote), and be appointed by the Governor in Executive Council on the recommendation of the Premier.

An understanding of, and integration with, government operations is necessary to perform the board's roles effectively. Consistent with models applied in other states, it is proposed that IWA include State Government representation, including the Under Treasurer and Directors General of the departments of the Premier and Cabinet (DPC) and Planning, Lands and Heritage (DPLH). Provision for two other government agencies to be represented, potentially on a rotational basis, is also proposed. In the first instance this will be the Departments of Primary Industries and Regional Development (DPIRD) and Transport (DoT).

To ensure oversight at the highest level, it is proposed that IWA report directly to the Premier.

2.2 Reporting and accountability

Establishing IWA under legislation will allow for a clearly defined and transparent statutory role, however may be less flexible to change over time. Alternatively, a non-statutory body is simpler to establish and more flexible to change, however may be more easily influenced by the government of the day, which may impact on its credibility. Infrastructure advisory bodies set up in other states without legislation have not been successful and have been criticised by industry for a lack of independence and credibility. To ensure oversight at the highest level, it is proposed that IWA report directly to the Premier. This will allow for a whole-of-government perspective, rather than having a narrower sectoral view or focussing on a particular category of infrastructure.

To ensure IWA can maintain its independence while being appropriately responsive to government, the Premier will be able to direct IWA in limited circumstances. Any directions will be made publicly available to ensure transparency.

To provide high-level government oversight, focus and commitment to policy, planning and delivery for major infrastructure projects, IWA will report to a Cabinet sub-committee and advise on any infrastructure problems or risks on a regular basis so they can be promptly addressed.



To undertake its functions effectively, IWA will need to access information and expertise within agencies. Agencies, including Government Trading Enterprises (GTEs), will therefore be required to cooperate with IWA and provide IWA with any information required (with appropriate exceptions, e.g. certain Police matters).

Equally, IWA will be required to consult with agencies and other stakeholders as appropriate and consider existing government-endorsed policies, priorities, strategies, statements of corporate intent etc. when undertaking its functions.

2.3 Support and administration

A small team of experienced staff will be needed to support the IWA board and ensure it is able to perform its functions effectively. Initially, support will be provided through an adequately resourced sub-department within DPC reporting directly to the Premier. DPC will provide administrative and corporate support to minimise duplication and cost. There will be provision for the IWA board to be supported by a stand-alone agency in future if the need arises. This model strikes the right balance between the need for independence and the need for efficiency, while remaining consistent with the focus on consolidating agencies through current public sector reforms.



SUMMARY OF PROPOSAL

Legislative basis

- IWA will be established under an Act, with details to be set out in regulations, policies and guidelines to provide flexibility over time.

Board composition and accountability

- IWA will have a board (with a maximum of 10 members), including an independent Chair (with casting vote), Under Treasurer, Directors General of DPC and DPLH, and up to two other government agencies (DPIRD and DoT in the first instance, potentially on a rotational basis with other agencies) and four non-government members appointed by the Governor in Executive Council on the recommendation of the Premier.
- The IWA board and chief executive will report directly to the Premier.
- IWA may be directed by the Premier in limited circumstances only, with directions required to be published on IWA's website in a timely manner.
- IWA's work will be overseen by a Cabinet sub-committee.
- All agencies, including GTEs, will be required to cooperate with IWA and provide IWA with any information required for it to perform its functions (with appropriate exceptions, e.g. certain Police matters). Equally, IWA will be required to consult with agencies and stakeholders as appropriate.
- IWA will be required to consider existing government-endorsed policies, priorities, strategies, statements of corporate intent etc. when undertaking its functions.

Administration

- IWA will initially be supported by a sub-department within DPC, managed and led in accordance with the general policies and strategic direction determined by the board, reporting directly to the Premier. The legislation will provide the option for IWA to be supported by a stand-alone entity in the future should the need arise.



3 Improving long-term planning

Development of a long-term coordinated infrastructure strategy will be a fundamental role for IWA. The purpose of the strategy will be to set out an infrastructure vision, identify challenges and initiatives and set direction in the planning and provision of infrastructure. This 'missing link' in the Government's strategy and policy suite will provide a solid foundation and strong evidence base to inform sectoral strategies and plans and future investment plans. An evidence based strategy will support more informed consideration of infrastructure needs and priorities, and over time will help to support a more bipartisan approach to infrastructure planning.

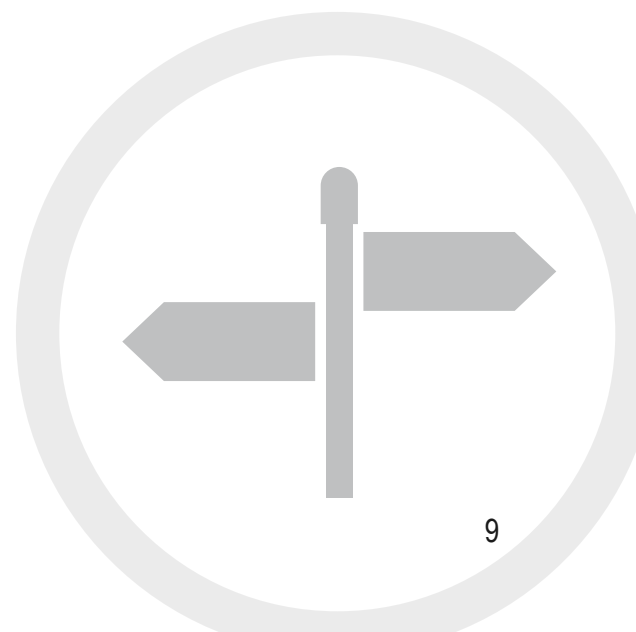
The purpose of the strategy will be to set out an infrastructure vision, identify challenges and initiatives and set direction in the planning and provision of infrastructure.

3.1 Scope of infrastructure

To provide a comprehensive view of infrastructure needs, it is proposed that the strategy address a broad scope of infrastructure, funded and delivered by all levels of government as well as the private and not-for-profit sectors. Different types of infrastructure provide a range of benefits to the community, whether it be economic, social, environmental, or a combination of these. These needs must be balanced by the Government in determining infrastructure and service priorities as part of preparing the annual State Budget. As a tool to inform shorter-term planning and decision-making there is value in the strategy addressing a broad selection of infrastructure.

Strategies prepared in other jurisdictions address a wide range of infrastructure types including:

- transport (public transport, rail, roads and freight, active transport, gateways such as airports and seaports)
- cultural, recreation and tourism
- education and training
- water, wastewater and drainage
- solid waste management
- energy
- justice and emergency services
- health and human services (including social housing)
- information and communications technology
- green or environmental infrastructure
- science and agriculture.



A wide range of asset types is necessary to identify potential synergies and efficiencies that may not otherwise have been realised. It will also maximise the potential for integrated asset development by agencies, including through private sector engagement, financing and procurement, starting at the earliest strategic point. While it is proposed that a broad range of infrastructure be addressed, the final scope and scale will require further consideration as the strategy is developed.

The strategy needs to be founded on a strong evidence base – other jurisdictions have completed an infrastructure audit and capacity assessment as part of their strategy development, providing an infrastructure baseline across sectors (reporting on a range of factors such as infrastructure condition, age, capacity to meet demand, levels of investment and management practices). This is considered a critical step in developing a strategy.

Providing high-level advice on potential funding and financing models for major projects is also a feature of other jurisdictions' strategies, and is proposed for IWA's strategy (refer to Section 6.1).

3.2 Better use of existing assets

In identifying infrastructure needs and potential solutions, it is important the strategy consider non-build solutions (e.g. smart technology and demand management), as well as regulatory, policy and land use reforms. Optimising existing assets through capacity upgrades and improved management practices has the potential to defer costly investment in new or replacement infrastructure.

3.3 Supporting information and strategy review

There are a range of existing policies, priorities, strategies and plans that address infrastructure planning and delivery within and across agencies and sectors. It is proposed that these policies, strategies and plans be taken into account by IWA when developing the strategy.

For the strategy to remain relevant and to adequately inform shorter-term plans, it is important that the strategy is reviewed regularly. As a minimum, it is proposed that the strategy will be reviewed every five years, but this could be undertaken earlier, for example if there is a significant shift in monitored trends (e.g. economic, technology).

A review could also occur earlier if requested or approved by the Premier.



LONG-TERM STRATEGIES IN OTHER JURISDICTIONS

[INSW's strategy](#) covers a 20-year planning horizon and was first published in 2012. INSW is required to review the strategy every five years (and at such times as the Premier directs or INSW considers appropriate). An update was published in 2014. The INSW Act provides broad direction on the contents of the strategy. The Premier is required to consider the strategy, and adopt the strategy with or without amendments or refer it back to INSW for further consideration.

[IVIC's strategy](#) addresses a 30-year planning horizon and was first published in 2016. The strategy must be reviewed every 3-5 years. Similar to INSW, the IVIC Act provides an outline of the scope of the strategy. Public consultation on the draft strategy must be undertaken, and the Government is required to provide a formal response. The strategy is tabled in Parliament.

At the Commonwealth level, IA prepares the [Australian Infrastructure Plan](#), covering a period of 15 years, or such other period as determined by the IA Board. The Plan must specify priorities for nationally significant infrastructure for Commonwealth, State, Territory and local governments, and be reviewed every five years, or at other intervals as determined by IA.

In Queensland, the Government prepares a long-term infrastructure [strategy](#). The strategy sets a vision to guide infrastructure investment, identifying infrastructure challenges and objectives, and a set of directions to address them.



The input of industry, local government and community sectors will be fundamental in developing a comprehensive strategy for the State covering a broad range of infrastructure.

3.4 Consultation

The input of industry, local government and community sectors will be fundamental in developing a comprehensive infrastructure strategy for the State. This will allow for an improved and broader understanding of infrastructure needs and challenges, and will improve the way infrastructure is planned and coordinated in response to industry, business and community needs.

3.5 Adoption and reporting

In New South Wales and Victoria, the long-term strategy has the status of an independent report providing recommendations to government (i.e. non-binding advice). Government then considers and responds to the strategy in a formal way within a specified timeframe. To the extent that government supports the recommendations, the strategy then becomes government policy. As adopted government policy, agencies (including GTEs) are required to align their sectoral plans, programs and strategies with the long-term strategy.

Similar to other jurisdictions, to improve transparency and accountability, it is proposed that IWA monitor and report on the Government's progress in implementing the adopted strategy. This evaluation could form part of IWA's annual report.

SUMMARY OF PROPOSAL

Strategy scope

- IWA will develop a long-term infrastructure strategy addressing a minimum timeframe of 20 years, which sets out an infrastructure vision, identifies challenges and initiatives and sets direction in the planning, sequencing and provision of infrastructure. The scope will include but not be limited to, identification of objectives, infrastructure needs, potential solutions, indicative timeframes, and recommended policy reforms.
- The strategy will include both public (including GTEs) and private sector-delivered infrastructure across the full range of asset classes (economic, social and environmental).

Strategy review and status

- The strategy be reviewed at least every five years, or earlier if requested or approved by the Premier.

- While the strategy will be made publicly available, it will only have the status of an independent report with recommendations from IWA to the Government. The strategy will not be binding on the Government, and will not become policy except to the extent it is adopted in part or in full through the Government's formal response (prepared within a specified timeframe). Agencies (including GTEs) will be required to align their plans, programs and strategies with government's endorsed infrastructure strategy.
- IWA will monitor and report annually on the Government's progress in implementing the adopted Strategy.

Strategy consultation and evidence base

- The strategy will be developed with input from industry and the community through targeted and public consultation.
- The strategy will be informed by a comprehensive infrastructure audit and capacity assessment to identify the infrastructure baseline. The audit will build off existing material available within government agencies.





4 Informing decision-making over the short to medium-term

4.1 Short to medium-term infrastructure plan

A common issue raised by stakeholders is the lack of clarity and transparency on the basis for the Government's short to medium-term infrastructure planning and decision-making, particularly the evidence base on which decisions are made. Stakeholders have also called for a clear pipeline of infrastructure projects across sectors, to provide greater stability for investment decision-making, and to improve engagement and leverage with the private sector.

Short to medium-term infrastructure planning encompasses a range of functions, typically led by agency strategic asset planning and the development and evaluation of infrastructure options to meet identified infrastructure needs. These plans are refined within agencies' annual budget proposals and through the evaluation and prioritisation of projects as part of the State Budget process. Agencies are guided by the Government's Strategic Asset Management Framework (SAMF), which provides a basis for decisions on the investment in, and the management and disposal of, assets required to meet government service delivery objectives at the individual agency level. However, the SAMF does not provide an overarching, whole-of-government approach to coordinate and prioritise infrastructure planning.

To address this gap in short to medium-term infrastructure planning (and to inform annual Budget processes), other jurisdictions include provision for development of a five-year infrastructure plan, prepared by either the independent infrastructure body or by government (as a published plan or as advice to government). In general, the intent is to provide an outline of infrastructure priorities and projects from a whole-of-government perspective with broad information on elements such as the rationale for proposals, indicative costs, potential funding arrangements and delivery timeframes.

These plans are valuable in providing context to the Budget and how projects or programs will meet infrastructure needs as identified in the long-term strategy (for example through build or non-build solutions and/or policy and regulatory reform).



SHORT TO MEDIUM-TERM PLANS IN OTHER JURISDICTIONS

In Queensland, the Government prepares the [State Infrastructure Program](#). The Program reflects the Government's infrastructure program over the four-year Budget period (for each asset class), and is reviewed and updated annually. Infrastructure investment is linked back to the long-term strategy for each asset class. The Program also outlines opportunities to address future infrastructure or service needs (unfunded and categorised as either short or medium/long-term), providing some visibility beyond the immediate Budget period.

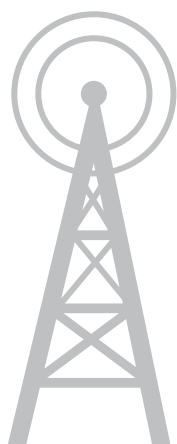
Building Queensland is an independent statutory body which leads the development of business cases for State infrastructure proposals with an estimated capital cost greater than \$100 million and assists with those between \$50 million and \$100 million. An [Infrastructure Pipeline Report](#) is published every six months, providing an overview of the maturity of unfunded infrastructure proposals.

In Victoria, the Government prepares a 5-year infrastructure plan which has regard to the 30-year infrastructure strategy. The plan identifies priority infrastructure projects to be undertaken in the next 5 years (including their rationale, link to strategy objectives, estimated cost, proposed funding and delivery arrangements and estimated timeframes for delivery). The Minister is able to request IVIC's advice on the draft plan. In its annual report, IVIC must include an assessment of the Government's priorities and progress in meeting the infrastructure needs identified in the 5-year infrastructure plan.

NSW is required to prepare and submit a 5-year infrastructure plan to the Premier, with a content similar to that of the Victorian plan. The plan as adopted by the Government is published in the Budget papers. Advice on priority projects is provided by INSW to Government to inform the Budget process.

Preparation and publication of a separate 5-year infrastructure plan by IWA is likely to have limited value, given that the State's 4-year Asset Investment Program (AIP) in the Budget in effect represents government's short-term infrastructure plan. Preparation of the Budget is supported by a rigorous and comprehensive process – preparation of a plan by IWA would likely duplicate some of this effort, and is unlikely to add much value.

However, a short to medium-term infrastructure plan prepared by the Government (with input from IWA) would have value from an industry and communications perspective by providing a narrative around infrastructure investments in the State's Budget, in the context of the endorsed 20-year infrastructure strategy, and identifying



emerging infrastructure challenges beyond the forward estimates period.

It is therefore proposed that the Government publish a short to medium-term infrastructure plan to provide an overview of the State's infrastructure investment by sector. The plan will be fully consistent with the State Budget, and will be published on an annual basis, shortly after the Budget is released. In addition to reflecting the 4-year Budget period, the plan will also address the 5-10 year period to identify emerging infrastructure challenges beyond the forward estimates period. Collectively, this information will provide an investment pipeline for stakeholders, and assist agencies' development of strategic asset plans. Development of the plan will be led by DPC, in consultation with the Department of Treasury (Treasury) and IWA, for consideration by Cabinet.

SUMMARY OF PROPOSAL

- The Government will develop a short to medium-term infrastructure plan annually (led by DPC, in consultation with Treasury and IWA), for Cabinet's consideration. The plan will be fully consistent with the State Budget, providing an overview of the State's infrastructure investment by sector. In addition to reflecting the 4-year Budget period, the plan will identify emerging infrastructure issues beyond the forward estimates period (i.e. 5-10 years). The Plan will be released soon after the Budget.





FIONA
STANLEY
hospital

Emergency
Mental Health
Rehabilitation
Inpatient & Outpatient
New Zealand
East Zone

5 Better quality infrastructure proposals

Proposals for major infrastructure projects are usually developed over a long period, from a concept identified in longer-term strategies and plans, through to the investment approval, procurement and delivery stages. Under the Government's SAME, proposals are developed by an agency and considered by the responsible Minister and/or Cabinet at key stages by way of the following deliverables (refer to Figure 2):

- Agency 10-year Strategic Asset Plan
- Application for Concept Approval – to proceed to business case preparation
- Business Case – for provisional funding in the Budget
- Project Definition Plan – to refine the costs, schedule and risk mitigation strategy for the project, and recommendations on the procurement and financing arrangements.

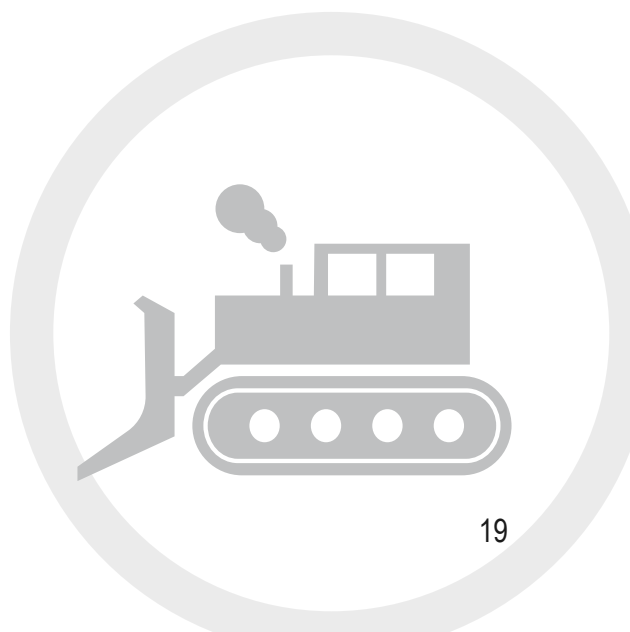
Problems with the delivery of major infrastructure often stem from the early stages of proposal development, which may then be carried through to more detailed design stages. Issues that have been raised by some stakeholders regarding the current process include:

- a lack of transparency (including project rationale, cost estimates, options assessment etc.)
- poor consideration of strategic alignment (in the absence of robust, longer-term strategic plans)
- limited evaluation of alternative options to meet infrastructure needs
- limited scope including evaluation of associated land use costs and benefits
- inconsistent use of forecasts and assumptions.

As the State's expert infrastructure advisory body, IWA will have an important role in promoting better quality infrastructure proposals.

5.1 Development of proposals

Specialist expertise is required to develop concept proposals and robust business cases for major infrastructure, drawing on a range of skills (for example modelling, finance, engineering, risk management). In some cases, this expertise may be available within agencies, however many agencies engage consultants when these skills are not available



internally. This is more often the case for agencies that do not plan and deliver major infrastructure on a regular basis.

To address this challenge, it is proposed that IWA will have some capacity to assist agencies, where required, to develop business cases for major infrastructure projects. This would create a small 'centre of expertise' in business case development within IWA that could be used to assist across government agencies where necessary. IWA would focus on the early stages of business case development and assist to strengthen these skills within government. Leadership and ownership of the business case will remain with the proponent agency. Any potential conflicts between IWA's business case development and evaluation roles (refer Section 5.2) will be managed through internal processes.

IWA's proposed role in assisting with the development of business cases will also need to consider outcomes of the Inquiry into Government Programs and Projects, and any broader government reforms in this area.

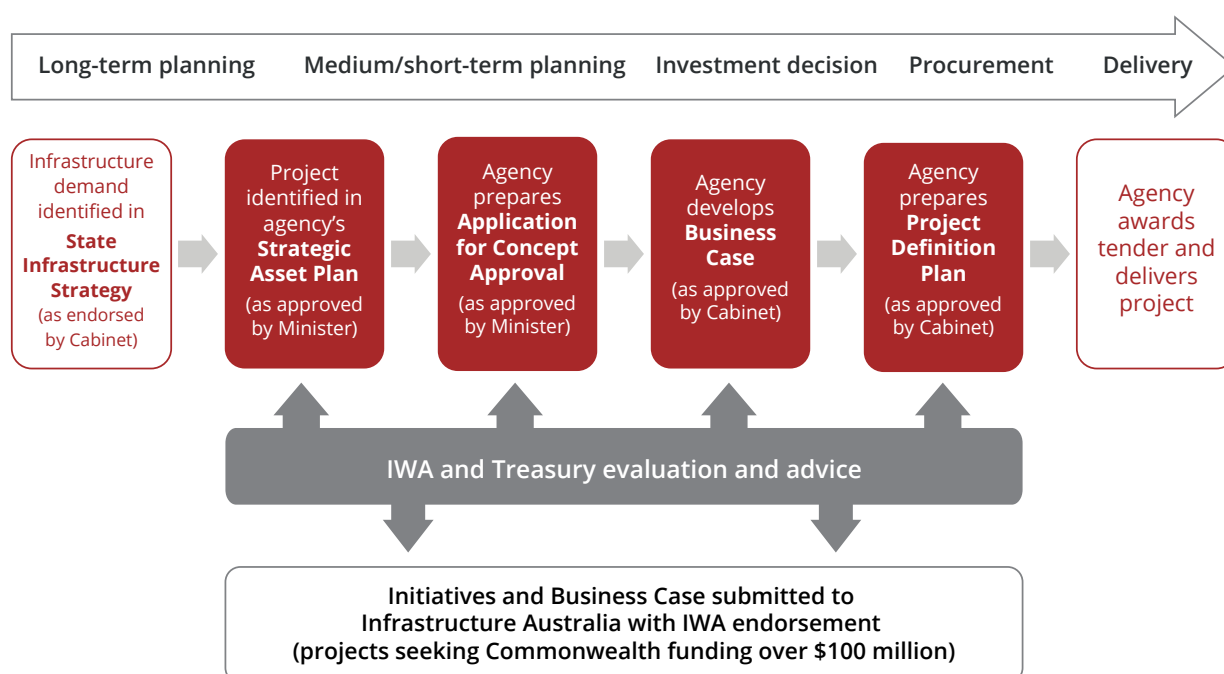


Figure 2: IWA interaction with project evaluation process

5.2 Evaluation of proposals

Evaluation of public sector infrastructure proposals in Western Australia is predominantly the responsibility of Treasury, guided by the Government's SAMF. Under the SAMF, infrastructure proposals are evaluated by Treasury at four stages, these being the agency's 10-year Strategic Asset Plans, Applications for Concept Approval, Business Cases and Project Definition Plans.

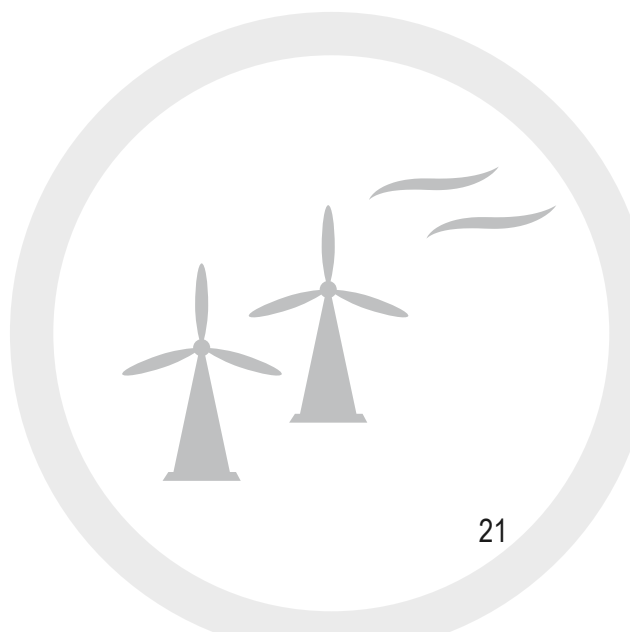
Treasury's advice is provided to the Treasurer and Cabinet for consideration. Treasury's evaluation has a particular focus on a project's value for money and its affordability in the context of the Budget.

IA plays an additional evaluation role for projects that seek more than \$100 million of Commonwealth funding, and provides advice to the Commonwealth Government to inform its funding decisions.

Given its independence and strategic focus, it is proposed that IWA play a role in evaluating infrastructure proposals above a specified threshold (e.g. \$100 million, plus high risk projects below this threshold). This evaluation would focus on the conceptual, business case and project definition stages of proposal development to:

- ensure proposals are aligned with whole-of-government infrastructure objectives and are not considered in isolation
- use agreed/consistent demand forecasts and assumptions
- appropriately address integration with land use (where relevant) and economic opportunities
- identify interdependencies with other projects across sectors and opportunities to 'package' projects together, and
- ensure that alternative options have been adequately addressed (including non-build solutions).

Outcomes from IWA's evaluations would be provided as advice to Treasury and Cabinet. It is anticipated that the advice would improve the quality and consistency of business cases across government agencies and those submitted to IA. The evaluation process will also apply to GTEs.



Rather than establish new evaluation processes additional to existing requirements, it is proposed that IWA evaluate proposals in parallel, and complementary to, Treasury's role under the SAMF. Importantly, IWA's evaluation role will be structured to avoid duplication with existing Treasury processes.



PROJECT EVALUATION IN OTHER JURISDICTIONS

IA applies its [Assessment Framework](#) for assessing business cases and considering initiatives and projects for inclusion on its national Infrastructure Priority List. The Framework includes five stages, being Problem Identification and Prioritisation; Initiative Identification and Options Development; Business Case Development; Business Case Assessment, and Post Completion Review.

The Victorian Government's [Investment Lifecycle and High Value High Risk Guidelines](#) support the development of investment proposals over key stages of the investment lifecycle (Conceptualise, Prove, Procure, Implement, Realise). Projects identified as being high value and/or high risk are subject to more rigorous scrutiny and approval processes.

In Queensland, the Government applies the [Project Assessment Framework](#) to assess projects throughout the project lifecycle. Under the Framework, projects have one pre-project stage (Strategic assessment of service requirement), six generic project stages (Preliminary evaluation through to Deliver service) and one post-project stage (Benefits realisation). The Framework must be applied to projects with an estimated capital cost of \$100 million or more. Other thresholds apply for projects of lower value.

Building Queensland leads the preparation of business cases for infrastructure projects which have an estimated capital cost of \$100 million or more, and assists agencies with business cases for projects between \$50 - \$100 million. Their Business Case Development Framework requires three business cases to support a project's progress before being considered by the Government for funding.

These stages are a Strategic Business Case (to identify the need), Preliminary Business Case (to assess the options) and a Detailed Business Case (detailed analysis to enable a funding decision).

INSW has a function to review and evaluate proposed major infrastructure projects by government agencies or the private sector.

Many of the above project evaluation frameworks also include, or are integrated with, project assurance processes (such as Gateway reviews) as outlined in Section 5.3.

Given the State-wide focus of IWA, it would be appropriate for IWA to also evaluate high value and high risk infrastructure projects and programs in the regions, before funding can be approved from the Royalties for Regions (RfR) Fund.

It is proposed that IWA will also evaluate and endorse business cases prior to their submission to IA. It is envisaged that IWA work with proponent agencies, Treasury and IA to provide advice on business cases during their preparation, and prior to formal submission to IA. IWA's interaction with IA in this regard would assist to improve the consistency and quality of business cases submitted to IA (and meet requirements under IA's Assessment Framework), and ensure WA projects on the national Infrastructure Priority List are consistent with identified infrastructure needs.

5.3 Project assurance and monitoring

Gateway review is a project assurance methodology which has been adopted by most states in Australia and globally in the United Kingdom and elsewhere. Gateway is an independent review process designed to support the development, planning, management and delivery of major projects and programs. The process uses independent assessors to review plans and processes across six gates from early project development (strategic assessment) through to post-delivery (benefits evaluation). The Gateway review process in WA is currently managed by the Department of Finance.

PROJECT ASSURANCE IN NEW SOUTH WALES

In New South Wales, responsibility for project assurance was transferred to INSW in 2015 under the State's [Infrastructure Investor Assurance Framework](#) (IIAF). The IIAF was introduced on the recommendation of the Auditor General to ensure that Cabinet is supported by effective tools to monitor the Government's infrastructure program, receive early warning of any emerging issues, and to act ahead of time to prevent projects from failing. The IIAF also includes regular project reporting by delivery agencies and project monitoring conducted by INSW. For high value/high risk projects, a regular summary of these processes is provided to an Infrastructure Investor Assurance Committee (comprising heads of key government agencies) and to Cabinet.

Gateway reviews became mandatory for State Government infrastructure projects valued at \$100 million or more in January 2017 (including RfR funded projects). Gateway does not currently apply to GTEs, however Treasury is able to identify any project where a Gateway review must be undertaken, including proposals by GTEs. Reviews must be undertaken at two or more 'gates', which are nominated by

the proponent agency. The results of Gateway reviews are provided as confidential advice to the proponent agency, however any high risk recommendations with outstanding actions are reported to the Gateway Steering Committee to discuss further action required with the delivery agency.

Over time, there would also be value in IWA taking on a stronger project assurance role, through involvement in the Gateway review process. Initially, IWA will be represented on the Gateway Steering Committee at the 'strategic assessment', 'business case' and 'readiness for market' gates for major infrastructure projects. Over time, the administration of Gateway reviews for major infrastructure projects could be transferred to IWA to consolidate related infrastructure assurance functions into one place within the Government. IWA could also provide regular Gateway summary reports to Cabinet to enable Cabinet to more effectively monitor the progress of major projects and require action by agencies to address any 'red flag issues', particularly before Cabinet approves a business case or project definition plan. An immediate priority should be the formal inclusion of GTEs in the Gateway review system.

SUMMARY OF PROPOSAL

Business case development

- IWA will have some capacity to assist agencies, where required, to develop business cases for major infrastructure projects, with a focus on the early stages of development. IWA will not lead or take ownership of the development of business cases.

Project evaluation

- IWA will evaluate proposals for infrastructure projects above a specified threshold (e.g. \$100 million, plus high risk projects below this threshold), including projects seeking funding from the RfR program or the Commonwealth, and provide advice to agencies, relevant Ministers, Treasury and Cabinet.
- IWA will undertake this role in parallel to the existing evaluation process of Treasury and work iteratively with proponent agencies to ensure high quality consistent business case development.

Project assurance

- IWA will be represented on the Gateway Steering Committee.
- There will be scope for the administration of Gateway reviews for major infrastructure projects to be transferred to IWA over time and for IWA to provide regular Gateway summary reports (e.g. using a traffic light system) to Cabinet for high value/high risk projects.



6 Other complementary roles

As an independent and expert infrastructure advisory body, there would be value in IWA performing a number of other complementary and related roles as outlined below. These proposals build on IWA's primary roles, establishing a single home for whole-of-government infrastructure functions.

6.1 Funding and financing

In Western Australia, State Government infrastructure has traditionally been funded through consolidated funds, raised through the application of broad-based taxes and charges, and grants. However, some stakeholders have suggested that greater consideration of alternative funding and financing models for major infrastructure would increase the opportunities for private sector participation in infrastructure investment. Ongoing consideration, improvement and application of alternative models will be required if the Government is to meet future infrastructure needs and achieve value for money outcomes.

In this context, it is important to clarify what is meant by the terms 'funding' and 'financing'. Funding refers to the money provided by government for a specific purpose, such as an infrastructure project. Financing is the act of obtaining money or capital for a project, which is usually provided by banks or other financial institutions.

Some stakeholders have suggested that greater consideration of alternative funding and financing models for major infrastructure would increase opportunities for private sector participation in infrastructure investment.



Different funding options affect who pays and who benefits from infrastructure, and can include methods such as user charges; value capture; property development; asset sales; and general Commonwealth, State and local government revenue.

How government finances infrastructure affects how much is paid and when. Government can arrange finance itself or via other parties such as private financiers and equity partners. Increased access to private finance does not create more money for infrastructure projects – in the long run, government or infrastructure users still need to pay.

FUNDING AND FINANCING ADVICE IN OTHER JURISDICTIONS

In other jurisdictions, infrastructure bodies provide advice to government on alternative funding and financing models.

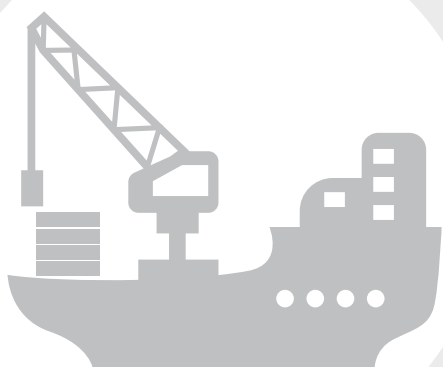
IVIC undertakes and publishes research on matters relating to infrastructure including funding and financing models. Its 30-year infrastructure strategy must also include recommendations regarding the funding options for specified major projects, policies or reforms.

INSW advises the Premier on appropriate funding models. Its 5-year infrastructure plan may also include recommendations on funding and delivery arrangements for priority projects identified in the plan.

In Western Australia, detailed advice on alternative financing models for major projects should remain the responsibility of the Government, through proponent agencies, Treasury and the Western Australian Treasury Corporation.

However, it is also proposed that IWA provide high-level advice on appropriate funding and financing models and principles for different types of infrastructure in its long-term strategy from the whole-of-government perspective. For example, IWA could help to identify at an early stage major infrastructure proposals that would be attractive to different types of investors, such as superannuation funds, either as individual or 'packaged' investments. This advice will support government decision-making and inform stakeholders on the merits of the various funding and financing options.

In addition, as part of its advice on the short to medium-term infrastructure plan, IWA could identify projects with the greatest potential to attract private sector financing.



Finally, as part of its project evaluation role, IWA could also assess whether alternative/appropriate funding and financing models had been adequately considered for relevant projects, and provide this advice to the Government.

Overall, IWA's advice would support government decision-making and inform stakeholders on the merits of the various funding and financing options – and facilitate early public discussion and acceptance of new initiatives.

IWA's advice at the strategic and individual project levels would strengthen the quality of advice to the Government drawing on the experience of the private sector members of IWA's board. Stronger advice, particularly on private financing opportunities would also assist the Government in attracting funding from private and Commonwealth sources.

6.2 Coordination of land development and infrastructure provision

A substantial portion of the State's investment in infrastructure relates to that required for land development to support population growth. Development of greenfield sites or infill areas is needed to support population and employment growth. A range of critical infrastructure is required to develop or redevelop land, including new or upgraded roads and public transport services as well as water, wastewater and energy services. Social and community infrastructure, such as education, health and recreation facilities are also provided as areas are developed or redeveloped. This urban growth is guided by land use strategies and plans prepared by State and local governments.

Coordinating land and infrastructure development is important for government, industry and the community. For government, which provides services across a diverse range of development fronts, improved sequencing and coordination can result in deferring or avoiding the need to build new infrastructure, and allowing existing infrastructure to be used more efficiently. For developers, it assists to ensure that critical and supporting infrastructure is provided in a timely manner to facilitate development.



The State Government is improving the way infrastructure is coordinated and integrated with land use, both for major infrastructure (for example new passenger rail lines) as well for infrastructure to support land development. For major projects, this is achieved through formal, inter-agency governance arrangements.

MAJOR PROJECTS – COORDINATION AND INTEGRATION

In Western Australia, the planning and delivery of major infrastructure projects is often overseen by a high-level steering committee or taskforce, supported by working groups, with representation across a range of agencies. Coordination of infrastructure to support a major project, and integration with surrounding land uses is addressed through these governance arrangements.

As an example, the planning and delivery of METRONET is being supported by a specialist team comprising transport planning, land development, and town planning experts from a range of agencies. This approach ensures land use and transport outcomes are optimised and well integrated. The METRONET team considers the infrastructure required to directly deliver the project, as well as any impacts on surrounding infrastructure and land uses, and opportunities to maximise integration, coordination and value creation.

It is not intended that IWA undertake a coordination role for major projects where strong governance arrangements are in place, however IWA may provide strategic advice when requested by a major project's steering committee or taskforce or when requested by the Premier.

The DPLH and the Western Australian Planning Commission (WAPC) are improving the coordination of land development and infrastructure provision at the State level. This work is based on the Infrastructure Coordination Framework and a prototype spatial viewer (focused initially on the Perth and Peel regions). The Framework promotes a collaborative approach among agencies through the sharing of detailed information, which can improve the coordination of business case development for projects and developments that are not overseen by a major taskforce. Western Australia is seen as a leader in this field, with other jurisdictions now also considering similar initiatives.

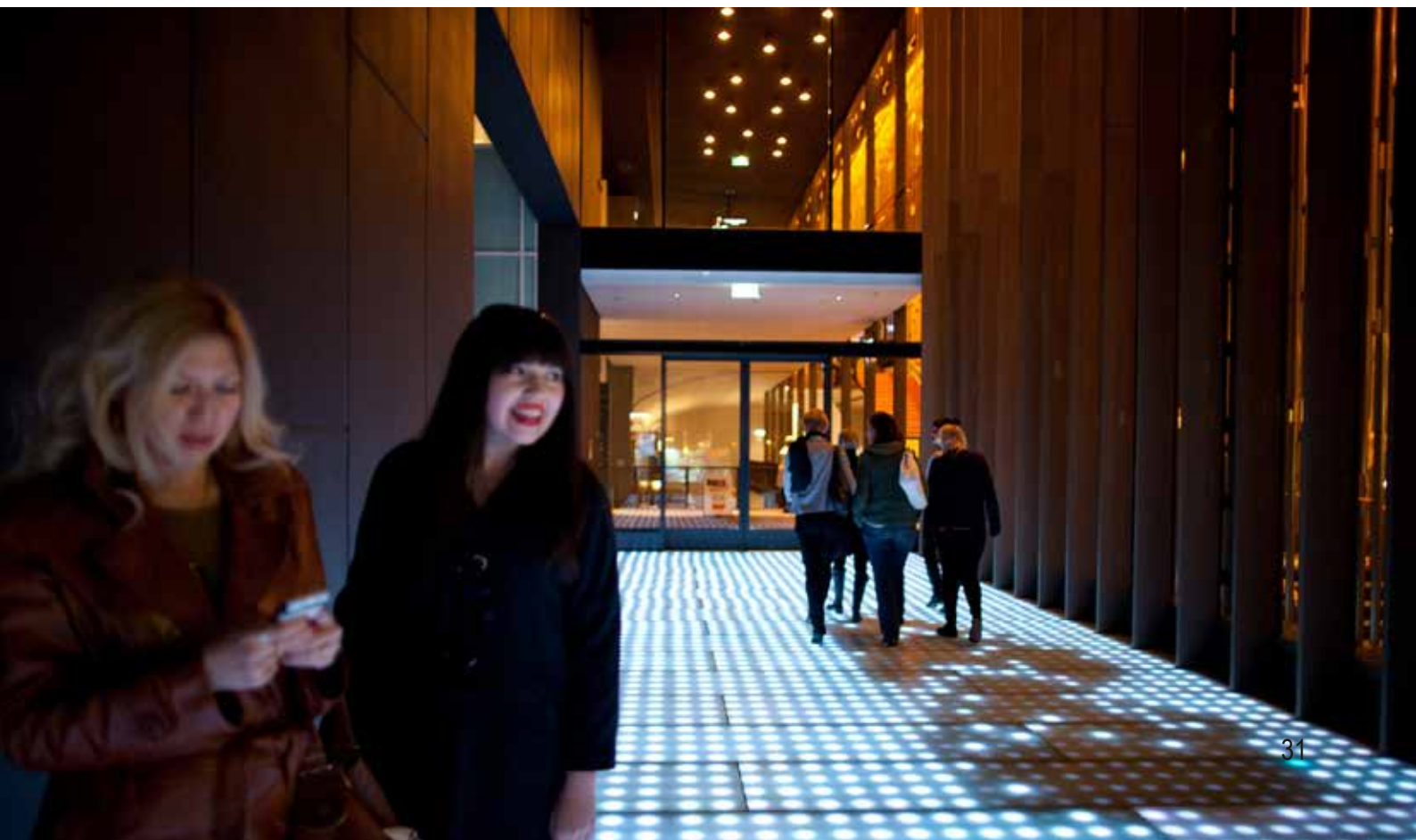


Given the significant task to coordinate land and infrastructure planning and provision at the whole-of-State level, it is proposed that IWA work closely with the WAPC and DPLH to further implement the Framework and spatial viewer. IWA's proposed interaction with the WAPC is outlined below.

INTERACTION WITH THE WAPC

The WAPC undertakes strategic land use planning throughout the State. Through development of a long-term infrastructure strategy, as well as other proposed roles, IWA will perform a strategic coordination role across Government, which will both inform and be informed by the WAPC's strategic land use planning work. For example, the WAPC will inform IWA's strategy and other work through the preparation of strategic land use plans and policies (e.g. Perth and Peel @3.5 million), which set the strategic direction for land use across the State. This will assist IWA in identifying infrastructure needs and priorities. IWA may also provide advice to the WAPC and vice-versa. For example, IWA may prepare advice on how to better utilise existing infrastructure assets which, in turn, may inform areas more suited to urban consolidation.

Preparation of a long-term infrastructure strategy will also assist local governments to improve the strategic alignment of land use plans and infrastructure proposals.



The Infrastructure Coordinating Committee (ICC) is established under the *Planning and Development Act 2005* to advise the WAPC on planning for the provision of infrastructure across the State. The ongoing need for the ICC will need to be considered in the context of potential duplication of functions (especially in relation to the coordination of land development and infrastructure provision), and in light of current public sector reforms.

6.3 Sectoral and other infrastructure strategies and plans

IWA may assist agencies when needed to develop longer-term, evidence based strategies which are consistent with the endorsed strategy.

To inform future planning and investment processes, many agencies or portfolios prepare strategies and plans (for example transport plans, water plans, health infrastructure plans). These may be publicly available, or internal to an agency or government, and address a range of differing planning horizons.

In addition to the long-term infrastructure strategy, there would be value in IWA, at the request of the Premier, developing, or assisting agencies to develop, sectoral infrastructure strategies and plans as required. This would support appropriate sectoral level infrastructure planning and ensure consistency and alignment with the endorsed State strategy. While some agencies or infrastructure sectors prepare and update their strategic plans regularly, others may not have the skills, experience or resources to undertake this work. IWA's role could also extend to providing infrastructure-related input to land use planning and regional development strategies.

SECTORAL STRATEGIES AND PLANS IN OTHER JURISDICTIONS

One of the primary functions of IVIC is to “provide support as requested during the development of sectoral infrastructure strategies by public service bodies or public entities.”

INSW also has a role in sectoral strategies. At the direction of the Premier, INSW must prepare sectoral State infrastructure strategy statements.

INSW has progressed the development of a cultural infrastructure strategy, and has also prepared the Port Botany–Sydney Airport Precinct Infrastructure Strategy Statement and the Hawkesbury–Nepean Valley Flood Risk Management Strategy, on behalf of the Government.

6.4 Advice

As the Government's independent advisor on infrastructure matters, there would be value in enabling the Premier to request advice from IWA from time to time to inform government policy and decision-making. For example, this may include broad advice on infrastructure policy and reforms or specific advice on a government or private sector infrastructure proposal, including unsolicited proposals.

It is proposed that IWA will prepare a forward advice and research program on an annual basis. This program would require approval of the Premier and be published on IWA's website. It is intended that the advice and research program support and inform the Government's strategy and policy direction.

6.5 Coordination with Infrastructure Australia and the Commonwealth

IA is required to strategically audit Australia's nationally significant transport, energy, water and communications infrastructure, and develop a 15-year rolling infrastructure plan that specifies national and State level priorities. IA also has responsibility to determine which nationally significant projects should be on the national Infrastructure Priority List, and has a role in evaluating business cases for projects seeking more than \$100 million in Commonwealth funding.

There are opportunities for IWA to improve Western Australia's interaction with IA, including:

- IWA to review, provide advice to proponent agencies and endorse early-stage infrastructure initiatives and business cases prior to their submission to IA
- IWA to coordinate the State Government's input on updates to the Infrastructure Priority List, and
- IWA to coordinate the State Government's input to the national Infrastructure Audit and Infrastructure Plan as needed.

IWA's interaction with IA would improve the consistency and quality of business cases submitted to IA, increasing the likelihood of a positive assessment by IA for consideration for funding by the Commonwealth Government. Coordination by IWA would also ensure that projects on the national Infrastructure Priority List are consistent with the



IWA's interaction with IA would improve the consistency and quality of business cases submitted to IA, increasing the likelihood of a positive assessment by IA for consideration for funding by the Commonwealth Government.

endorsed State Infrastructure Strategy and identified infrastructure needs.

Government's commitment states that IWA will also manage Commonwealth funding applications. Commonwealth funding negotiations and submissions are currently led by relevant agencies and/or Ministers and may be reviewed by Treasury and DPC at various stages. Rather than IWA undertaking this role, there would be value in DPC coordinating all funding negotiations and submissions between the State Government and the Commonwealth to ensure submissions are coordinated in line with the Government's infrastructure priorities. It is recommended that this process is kept outside of the IWA board's scope as an independent body.

INTERACTION BETWEEN IA AND INSW

In New South Wales, INSW is responsible for coordinating all submissions to IA on behalf of the Government. Proponent agencies work with INSW and engage with IA staff early in the business case development process to ensure business cases meet the requirements of IA's Assessment Framework. INSW also reviews and endorses agency business cases prior to their submission to IA.

SUMMARY OF PROPOSAL

- The scope of IWA's long-term strategy will include high-level advice on the potential funding and financing models for infrastructure. Detailed advice to Government on the appropriate funding and financing models for specific projects will be provided by delivery agencies and Treasury, and include advice from the Western Australian Treasury Corporation or consultants as appropriate.
- IWA will work with the WAPC and DPLH to further implement the Infrastructure Coordination Framework and supporting spatial viewer.
- Consideration will be given to the ongoing need for the ICC.
- In addition to the long-term infrastructure strategy, the Premier will be able to request that IWA develop (or assist agencies to develop) other infrastructure strategies and plans as required (e.g. sectoral infrastructure plans).
- IWA's role will include providing advice to the Premier on infrastructure related matters as requested. IWA will provide a research and advice program to the Premier each financial year for approval, which will be made available on IWA's website.

- IWA will review (and endorse) business cases and work with IA, proponent agencies, DPC and Treasury to address any issues, prior to business cases being formally submitted to IA for assessment.
- IWA will coordinate Western Australia's dealings with IA, including the national Infrastructure Priority List, Infrastructure Audit and Infrastructure Plan and other initiatives as required for consideration by Cabinet, DPC and Treasury.
- DPC will coordinate all State infrastructure funding negotiations and submissions to the Commonwealth, in consultation with relevant agencies and Ministers.





7 How to make a submission

The State Government is seeking public comment on the proposals outlined in this paper. The paper is available for public comment from 6 February 2018 to 20 March 2018.

All submissions received will be considered by the State Government prior to finalising the model for IWA in 2018. When making a submission please make sure you:

- clearly state your views and the reasons for your views
- where relevant or possible, outline alternatives or solutions to your identified issues.

Note that all submissions will be treated as confidential within the limits of the *Freedom of Information Act 1992*.

Submissions can be made by:

- Preparing a written submission and sending via post to:
Infrastructure Policy Unit
Department of the Premier and Cabinet
Locked Bag 3001
WEST PERTH WA 6872
- Sending an email to:
infrastructurewa@dpc.wa.gov.au
- Completing the form provided over page. An electronic version is available at www.dpc.wa.gov.au/infrastructurewa
- For more information on making a submission and all other enquiries, please email infrastructurewa@dpc.wa.gov.au or call (08) 6552 6620.

All submissions must be received by 5pm on Tuesday 20 March 2018.

Late submissions will not be considered.



INFRASTRUCTURE WA – PROPOSED MODEL

Submission Form

By post: Infrastructure Policy Unit
Department of the Premier and Cabinet
Locked Bag 3001
West Perth WA 6872

By email: infrastructurewa@dpc.wa.gov.au

Name:

Postal Address:

Postcode:

Phone:

Email:

Organisation:

Please provide comments in the boxes below. Additional pages/files may be attached to your submission if required.

Section 2: Establishing IWA

Do you have any comments relating to Infrastructure WA's authority (i.e. legislation), composition of the board, reporting and accountability, and administrative arrangements?

Section 3: Improving long-term planning

Do you have any comments on the proposed long-term infrastructure strategy, in terms of its scope, review period, supporting information, consultation and status?

Section 4: Informing decision-making over the short to medium-term

Do you have any comments on the short to medium-term infrastructure plan?

Section 5: Better quality infrastructure proposals

Do you have any comments on Infrastructure WA's proposal development, project evaluation, and assurance roles?

Section 6: Other complementary roles

Do you have any comments on Infrastructure WA's proposed roles relating to funding and financing advice, coordination of land development and infrastructure provision, sectoral and other infrastructure strategies and plans, other general advice, and interaction with Infrastructure Australia?

Are there any additional roles that Infrastructure WA should undertake? For what value or benefit?

Is there any ongoing need to retain the ICC once Infrastructure WA is established?

Other general comments

Do you have any other general comments on the proposal?

Please note that the Department of the Premier and Cabinet is subject to the *Freedom of Information Act 1992* and as such, submissions may be subject to applications for access under the Act.

To be signed by person(s) making the submission

Signature: _____ Date: _____

Acronyms

ACA	Application for Concept Approval
DPC	Department of the Premier and Cabinet
DPIRD	Department of Primary Industries and Regional Development
DPLH	Department of Planning, Lands and Heritage
GTE	Government Trading Enterprise
IA	Infrastructure Australia
ICC	Infrastructure Coordinating Committee
INSW	Infrastructure New South Wales
IVIC	Infrastructure Victoria
IWA	Infrastructure WA
RfR	Royalties for Regions
SAMF	Strategic Asset Management Framework
WAPC	Western Australian Planning Commission

Photo captions and credits

Page	Caption	Source
Front cover	Perth CBD	Photographer Taras Vyshnya © Shutterstock ID 468827780
ii	Grand Gateway to WA	Main Roads WA
iv	Perth Arena	Department of Planning, Lands and Heritage
3	Southern Seawater Desalination Plant	Water Corporation
5	St Georges Terrace	Tourism WA
7	Tunnel Boring Machine Grace at the site of the future Forrestfield Station	Public Transport Authority
8	Kwinana Freeway	Department of Transport
11	Governor Stirling Senior High School	Department of Education
13	Stand-alone Power System	Western Power
14	Entering the Harbour at Port Hedland	Pilbara Ports Authority
15	Fremantle Port	Department of Transport
17	Narrows Bridge	Department of Transport
18	Fiona Stanley Hospital	Department of Health
22	Great Southern Rail Indian Pacific Train	Great Southern Rail
26	Port Hedland Interchange	John Holland
27	Ord East Kimberley Expansion	Department of Primary Industries and Regional Development
29	Adara Apartments, Cockburn Central	Department of Planning, Lands and Heritage
31	State Theatre Centre	Tourism Western Australia
33	Carnarvon Health Campus	Gascoyne Development Commission
35	Albany Health Campus	Department of Health
36	Terminal 1 Domestic Pier	Perth Airport
Inside back cover	Regional Mobile Communications Project	Department of Primary Industries and Regional Development



