Australian Government | Infrastructure Australia

Infrastructure Decision-making Principles

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Introduction

Australians expect decisions on public infrastructure projects to be robust, transparent and accountable. Businesses and households across the country rightly want to know that governments are investing limited public funds in infrastructure that will bring strong productivity benefits to the economy, support our quality of life, and help to deliver a collective vision of a strong, fair and prosperous Australia for many years to come.

The scale of investment in major projects and the long life of most infrastructure assets warrants rigorous decision-making processes. Amid tight fiscal constraints, it is vital that projects are only committed to once prior planning and assessment has been done.

Australia needs clear principles to guide infrastructure decisions

By establishing clear lines of responsibility and accountability, governments can provide assurance to industry and the community that the projects that are being identified, prioritised, funded and delivered are in the public interest, and will provide value for money on taxpayers' investments.

Most of these principles come as second nature to the governments and professionals who make decisions on Australia's infrastructure. In particular, long-term planning processes are now routinely undertaken across most jurisdictions, leading to a greater understanding of current and future infrastructure challenges, and an increased integration across systems and networks.

However, there is still room for improvement. For example:

- Across all stages of many projects' lifecycles, decisions should be more transparent, with an enhanced focus on public release of analysis and processes that form the basis of infrastructure decisions.
- Projects are often developed without fully considering all available options to solve an identified problem, including potential solutions that make better use of existing infrastructure through technology and data.
- Too often we see projects being committed to before a business case has been prepared, a full set of options have been considered, and rigorous analysis of a potential project's benefits and costs has been undertaken.
- Governments could generally do better at engaging with communities, both in communicating the long-term plan, the benefits and risks of public infrastructure priorities, and by incorporating community input in a meaningful way in project processes.
- Despite broad agreement on the merits of undertaking post-completion reviews of projects, including the application of lessons and feedback for future investments, these reviews are rarely undertaken and published.

These principles outline Infrastructure Australia's expectations for decision-making

We highlighted the need for a set of principles to guide infrastructure decision-making across the country in **Recommendation 9.7** of the *Australian Infrastructure Plan*, and we committed to develop them. We have also embedded many of these principles in our broader approach to providing infrastructure advice – in particular, our *Assessment Framework*, which guides our assessment of nationally significant infrastructure priorities and provides advice to project proponents in preparing their submissions.

These principles should act as a guide for not only those making decisions as part of infrastructure development and delivery, but also for the broader community to use as a clear set of expectations with which to hold decision makers to account. The principles seek to complement Infrastructure Australia's broader advice, including the *Assessment Framework*, by providing clear, straightforward statements of expectation for infrastructure decision-making in Australia.

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1. Governments should quantify infrastructure problems and opportunities as part of long-term planning processes.

Plans should include analysis of the performance and service levels of existing networks under a range of future scenarios. Plans should also account for interdependencies with other infrastructure, changes in technology, market and regulatory developments that are likely to impact infrastructure services over the coming decades.

2. Proponents should identify potential infrastructure needs in response to quantified infrastructure problems.

These infrastructure needs should be framed as broad potential responses that are likely to be required under several future scenarios. Governments should publicly release information on strategic planning processes to explain clearly to the community what the problem is, the cost of the problem, and proposed solutions.

3. Proponents should invest in development studies to scope potential responses.

These development studies should seek to identify risks to the viability and delivery of these potential responses. As part of these development studies, proponents should consider a range of options, including those that make better use of existing infrastructure, or pursue reform of regulatory and pricing settings. Investment in development studies should be proportional to the scale of the problem.

4. Where an infrastructure need is identified, governments should take steps to ensure potential responses can be delivered efficiently and affordably.

Governments should look to protect sites and corridors for likely future infrastructure investments, and ensure infrastructure needs are appropriately integrated into long-term land use plans.

5. Governments should undertake detailed analysis of a potential project through a full business case and should not announce a preferred option or cost profile before undertaking detailed analysis involving multiple options.

Business cases should include rigorous examination of the potential project's benefits relative to its costs, show the project to be resilient to change under a range of future scenarios, and show the split between public and private benefits.

6. Proponents should assess the viability of alternative funding sources for each potential project.

Proponents should look to minimise the call on public funds through consideration of a range of funding options, and determine a fair funding split between taxpayers, users and other beneficiaries.

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7. Project proposals should be independently assessed by an appropriate third party organisation.

For all nationally significant projects, proposals should be submitted to Infrastructure Australia and align with the *Assessment Framework*. For smaller projects or programs of investment, proposals should be independently assessed through structured and transparent review processes in each jurisdiction.

8. Governments and proponents should undertake meaningful stakeholder engagement at each stage, from problem identification and option development to project delivery.

This engagement should seek early input and feedback from a range of stakeholders, including local communities, businesses and industry groups, infrastructure users, private infrastructure owners and operators, and, where public funding is required, taxpayers.

9. Governments and proponents should publicly release all information supporting their infrastructure decisions.

This should include all analysis underpinning long-term plans, option development and assessment, through to full business cases once they have been independently assessed. Governments' and proponents' protection of information should be genuine and justifiable. In particular, commercial-in-confidence protections should only be used where a material commercial risk exists. Where risks are time-limited, governments and proponents should release information in full once risks are no longer relevant.

10. Governments should commit to, develop and release post-completion reviews.

Delivery dates for staged reviews should be confirmed at the outset of a project, and released at set intervals following project delivery, including several years after commissioning. Reviews should focus on:

- measuring whether the economic case for a project established in its business case is realised over time through performance measures
- whether the project was delivered on time and on budget
- whether unforeseen risks emerged and how they were managed
- extracting lessons to feed into future infrastructure development and delivery processes.

11. Where projects are funded as part of a broader program, the corresponding decision-making processes should be robust, transparent and prioritise value for money.

The objective, scope, scale and expected benefits of a funding program should be defined and reported openly against clear assessment criteria and objectives. Funding programs should be routinely assessed and reviewed to ensure investments are delivering against these objectives.

Next steps

Infrastructure Australia recommends that these Infrastructure Decision-making Principles are applied by governments and project proponents across Australia. We will work closely with governments and proponents to encourage their application across all stages of project development and delivery.

As part of our project assessment processes, we will measure performance against the principles. While the principles themselves will not form part of initiative or business case assessment processes, we will report on how well the principles are being applied in submissions received by Infrastructure Australia over time. This will highlight where decision-making processes are strong, where there has been some improvement, or where there is a need for increased attention to improve performance.

We recommend that the Infrastructure Decision-making Principles are included as part of the National Partnership Agreement negotiations between the Australian Government and the states and territories. In this way, the Australian Government could set expectations and targets for compliance with these principles as part of project funding processes. The Australian Government should make its infrastructure funding contributions contingent on jurisdictions' agreement to apply these principles as part of the project development and delivery processes.