

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Pwyllgor yr Economi, Seilwaith a Sgiliau / Economy, Infrastructure and Skills
Committee
Comisiwn Seilwaith Cenedlaethol i Gymru / National Infrastructure
Commission for Wales
Gan/From: Infrastructure New South Wales

By way of background, I attach the Second Reading speech by the then Premier of NSW which provides the policy (and political) context for Infrastructure NSW's establishment. Our founding legislation and other relevant documents can be found at our website (www.insw.com). I also attach a short summary of our functions.

Turning to your specific questions:

1. What principles do you believe represent good practice in establishing an independent infrastructure advisory agency?

Much depends on the primary purpose which the organisation should serve ("form should follow function").

If the primary purpose is to create a public-facing advisory body designed to provide independent advice to the community and Government on infrastructure policies and priorities, a high degree of autonomy is appropriate, for instance through the use of founding legislation, a CEO who reports not to Government but to a Board, with that Board having (as a minimum) an independent chair and a majority of non-government directors.

If, on the other hand, the primary purpose is to coordinate infrastructure planning within government – to act as an integrator and a fixer – then the organisation will need to be closer to Government, preferably with a mandate from the most senior levels of Government which will induce other agencies to cooperate with it.

Bodies like Infrastructure Australia and Infrastructure Victoria correspond to the first of these two models. They are highly independent of their respective governments. Others, like Building Queensland and Infrastructure Tasmania, are much closer to government.

The key trade-off in practice is between independence and influence. These two objectives can conflict, particularly where the independent advisory body finds itself publicly at odds with Government policy. The risk is that the

Government of the day stops listening to the advisory body, which then becomes irrelevant.

Infrastructure NSW's legislation is an interesting hybrid – as CEO, I report to the Premier, and am responsible for "managing and controlling" the organisation in accordance with "general policies" and a "strategic direction" determined by a Board which has an independent chair and a majority of independent directors.

If handled properly, this model can provide the best of both worlds – independent advice to Government, made public where appropriate, but a seat at the table as the Premier's key adviser and "fixer" when choices or conflicts arise as between policies or spending priorities.

2. For what reasons was your body established through legislation, and what impact has this had on the independence of your organisation?

See the Second Reading speech. Over time, Infrastructure NSW's functions have expanded so that "independence is less about separation from government per se and more about being an impartial source of disinterested advice **within** Government. The NSW Government now has a massive infrastructure investment program. Its overriding priority is not to determine what its spending priorities are (we've already determined that, at least for the short and medium term). Rather, the priority is to deliver the existing program competently – on time, on budget and in a way which maximises economic outcomes, including through improved land use. Hence Infrastructure NSW's functions in relation to project assurance, de-risking major investments through independent expert review.

3. To what extent do you consider that the arguments for setting up statutory bodies to advise on infrastructure would apply in other countries, or was your decision related to factors specific to Australia/your state?

The issues confronting the various Australian jurisdictions – poorly or insufficiently planned projects, lack of integration between transport and land use planning, an inability to prioritise spending for maximum social and economic advantage, and the inappropriate politicisation of decision–

makiung – are not unique to those jurisdictions or to Australia more generally.

4. For what reasons do you look at both economic and social infrastructure as part of your remit, whereas Infrastructure Australia concentrates on economic infrastructure?

Simply because Infrastructure Australia is a Commonwealth Government body, the constitution of Australia allocates primary responsibility to the states (and not the Commonwealth) for social infrastructure like schools, hospitals, prisons and social housing.

5. How do you work with Infrastructure Australia where your responsibilities interact?

We work very collaboratively with Infrastructure Australia, sharing information and analysis (and occasionally staff) to help pursue shared policy agendas. We also collaborate in the preparation of a National Infrastructure Plan, which provides the basis for Commonwealth co-funding of priority infrastructure projects. Infrastructure NSW's role is to ensure that our state's proposed projects are robust and supported by quality business cases which satisfy IA's investment criteria.

I hope this is helpful. Please let me know if you need any more information or commentary. It's nice that New South Wales can help Wales!

Expert advice

Providing independent and strategic advice to the NSW Government to make sure NSW gets the infrastructure it needs



Infrastructure NSW is an expert advisor to the NSW Government on the state's infrastructure needs and priorities.

We provide rigorous and independent advice to prioritise infrastructure investment.

Our role is central to the NSW Government's ambitious infrastructure program, which will see \$68.6 billion over the next four years invested in better public transport and roads, modern schools and hospitals, and renewed sports and cultural infrastructure.

One of our primary tasks is to develop the State Infrastructure Strategy, a 20-year infrastructure plan that places strategic fit and economic merit at the centre of investment decisions.

Projects NSW

Turning world-class plans into world-class projects through a new specialist unit in complex project delivery



Projects NSW is a new specialist unit being established within Infrastructure NSW to manage the procurement and delivery of nominated priority infrastructure projects.

By being based within Infrastructure NSW, Projects NSW will be able to leverage the experience built up through the transformation of Darling Harbour and the expertise of Infrastructure NSW's Board.

The first projects to be managed by Projects NSW are a correctional centre at Grafton (being delivered as a public private partnership), the redevelopment of the Walsh Bay Arts Precinct, the upgrade of the Anzac Memorial at Hyde Park (on behalf of the Anzac Memorial Trustees), and completion of Darling Harbour's transformation.

Project assurance

Monitoring NSW's infrastructure program to keep it on track and deliver outstanding results to the community



To ensure there is better oversight of the state's delivery program, the NSW Government is strengthening its assurance processes within Infrastructure NSW.

Our role is to independently review major projects throughout their planning and delivery, and advise the Government of any risks so they can be promptly addressed. Our expert and independent reviews will help to keep projects within scope, time and budget.

To ensure assurance efforts target the areas of greatest importance, a tiered, risk-based approach has been developed so that while projects of all sizes are being monitored, high profile and high risk projects will be subject to the greatest scrutiny.

Restart NSW

Accelerating priority projects that boost the economy through the NSW Government's dedicated infrastructure fund



Restart NSW is NSW Government's dedicated infrastructure fund.

Restart NSW funds are used for major projects that will improve the productivity and competitiveness of the State across all sectors.

Infrastructure NSW has sole responsibility for making recommendations to the NSW Government for use of the funds. Funds can only be spent on projects that are recommended by Infrastructure NSW, and then approved by the Treasurer. Infrastructure NSW's independent assessment process ensures that funds are only allocated to projects that have proven strategic and economic merit through cost benefit analyses and objective assessment.

Thirty per cent of Restart NSW funds are committed to projects in regional NSW (outside Newcastle, Sydney and Wollongong).

Bill introduced on motion by Mr Barry O'Farrell.

Agreement in Principle

Mr BARRY O'FARRELL (Ku-ring-gai—Premier, and Minister for Western Sydney)

[12.18 p.m.]: I move:

That this bill be now agreed to in principle.

We are all proud citizens of the greatest State in Australia. That pride has been sorely tested in the past decade as people from city, coastal and country New South Wales have seen the State's infrastructure investment and results fall behind those of our competitors. That is why my Government prosecuted a strong case for our Five Point Action Plan and the detailed policies that support it. It is an action plan that commits to build the New South Wales economy to make New South Wales number one again, to renovate our infrastructure, to improve our services, to restore honesty and accountability to government and to give people a say in decisions that affect them.

The number of new members in this place is evidence of the overwhelming support of the community for action and investment to achieve these objectives. Whether it is a family in western Sydney trying to get to work and school in congested traffic or on crowded trains, a commuter in the Central Coast or the Illawarra waiting for a train, a young person or couple trying to own a home, a business owner worried about another blackout, an investor looking for a high performance jurisdiction, a farmer trying to get produce to market, an exporter battling queues of ships waiting their turn to dock, or families struggling with cost of living increases, especially power bills, the need for a new approach to planning, selecting, funding, delivering and evaluating infrastructure has never been more critical in our State. Just 61 days ago the people of New South Wales demanded real change, and my Government is determined to deliver as we promised, including within our first 100 days, essential elements of the solution to New South Wales' long neglected infrastructure malaise.

The bill I introduce today creates an innovative, ground-breaking and new body—Infrastructure NSW—to sharpen our competitive edge to achieve economic growth through strategic infrastructure investment. This bill delivers what the New South Wales Liberals-Nationals have outlined in detail over the past 18 months. The creation of Infrastructure NSW will, at long last, take the politics out of infrastructure decision-making, to get the right infrastructure projects delivered on time and on budget. We will put an end to the stench that has surrounded infrastructure decision-making for more than a decade during which projects were drawn up on the back on envelopes before media conferences, recycled with the regularity of new Labor leaders, started, stopped, varied and too often abandoned, and chosen by politicians and faction bosses in back rooms based on their political interests and not in the public interest according to the actual needs of the taxpayers, citizens and our economy.

We have had a system that saw \$500 million of taxpayers' funds squandered by Labor on the disgraceful Rozelle Metro debacle, with absolutely zero to show for it except another blow to New South Wales' reputation as a secure place to invest and higher living costs for New South Wales families. It was a system in which Labor substituted glossy brochures for real infrastructure and, where rare projects were built, blowout after blowout and delay after delay. Today we draw a line under Labor's chaos and political intervention and get on with the solution.

If we are to grow our economy, improve our quality of living and make the most of our opportunities, we must invest well in economic infrastructure, aligned with our strategic objectives. The Commonwealth Bureau of Infrastructure, Transport and Regional Economics estimates that urban congestion costs New South Wales more than \$4 billion in lost productivity each year. Clogged freight networks cost our economy and the failure to provide adequate transport, health and other public facilities affects us all. This bill will bring real change to the way infrastructure is delivered and put infrastructure planning and decision-making where it should be, in the hands of experts. When politicians now or in the future decide to reject the advice of experts, it will be up to them, or us, to account for the decisions and actions.

This bill lays the foundation for what has been missing for more than 10 years—coordinated infrastructure planning across the whole of government using the most efficient and effective funding mechanisms to deliver the best results. Through Infrastructure NSW, we want to maximise investment by and involvement of the private sector to overcome the State's infrastructure backlog we have inherited. We will do so using a board that understands how to catalyse the innovation of the non-government sector in balance with the assessment and management of risk and opportunity essential to defending public value and the interests of taxpayers and government.

The objects of the bill in part 1 set out the Government's intention to secure the efficient, effective, economic and timely planning, coordination, selection, funding, implementation, delivery and whole-of-lifecycle asset management of infrastructure required for the economic and social wellbeing of the community, with decisions informed by expert professional analysis and advice. Getting the governance right—the allocation of responsibilities and accountabilities—is central to future success in our infrastructure investment. Infrastructure NSW will report directly to the Premier. A Cabinet infrastructure committee, chaired by the Premier, will provide long-term oversight and monitoring of major infrastructure projects.

The Deputy Premier, Minister for Trade Investment, and Minister for Regional Infrastructure and Services, the Minister for Planning and Infrastructure and the Treasurer will serve on the committee and bring threshold questions of fiscal discipline, regional considerations and links between infrastructure and land-use planning to the table for these decisions. Our commitment to introduce a Cabinet reporting framework for all major infrastructure and service commitments, including quarterly project progress updates to Cabinet, noting time and costing variations signals a new era of fiscal responsibility and accountability for New

South Wales public infrastructure. That is the sort of accountability that is routine for any responsible organisation but which escaped the attention of the Labor Party; which has transferred to families and businesses the consequences of Labor's failures including the \$100 million Tcard debacle, the \$500 million Rozelle Metro fiasco and the John Robertson special, the massive blowout in the Solar Bonus Scheme which, if left unchecked, could add \$170 to family power bills.

The Infrastructure NSW board will set the strategic and policy direction for the organisation. With an independent chair, it will comprise five persons appointed from the private sector, the chief executive officer of Infrastructure NSW, the directors general of the Department of Premier and Cabinet, Trade, Investment, Regional Infrastructure and Services and Planning and Infrastructure and the Secretary to the Treasury. As I have announced, the founding chair will be the Hon. Nick Greiner AC, an adviser to State and Federal governments of both political complexions who brings both a strong public sector background and private sector expertise to the role.

Infrastructure NSW will be led by a chief executive in accordance with the policies and strategic direction of the board. The chief executive officer, who will report to the Premier, will lead a group of professionals in an organisation whose structure and functions will create a new model of effective public sector infrastructure planning. The chief executive officer will recruit to Infrastructure NSW a compact, specialised staff team that brings together the best of the public and private sectors. The chief executive will have the power to second, employ or contract individuals from the private and public sectors for short-term or long-term purposes as required.

Infrastructure NSW will strengthen New South Wales' strategic coordination capability with the establishment of a New South Wales coordinator general—a role that the chief executive will hold—responsible for coordinating the input from all State agencies to develop a consistent whole-of-state approach on matters relating to infrastructure and responsibility for special projects that require statewide coordination. This brings me to one of the most important provisions of the bill and one of the most significant roles of the board in setting the policy direction of New South Wales infrastructure planning, coordination, selection and ultimately delivery. The board will direct and oversee the preparation of a 20-year State infrastructure strategy for New South Wales, along with detailed five-year infrastructure plans that set out the details of projects and sequencing and funding arrangements in the New South Wales budget from year to year for the delivery of those projects consistent with the 20-year strategy. This will provide an opportunity for all members of this Parliament to scrutinise the plans and speak for their communities about infrastructure priorities for the near, medium and longer term.

When we announced our policy to establish Infrastructure NSW more than a year ago, the plan was to create an organisation with an expert board that would produce, frankly and without fear of political interference, a strategic direction and detailed recommendations for New South Wales' infrastructure task. A board with the high calibre and expertise appointed

by my Government would, and should, expect that its recommendations are transparently published. Clause 8 of the bill makes this very clear: If the Government of the day chooses to reject the strategic direction and recommendations of Infrastructure NSW, it will have to account to electors for its reasons. In other words, the days of multi-billion dollar infrastructure decisions being made behind closed doors by factional deal-makers ends today.

Part 4 of the bill relates to infrastructure strategies and planning. An immediate task for Infrastructure NSW is to develop the 20-year State Infrastructure Strategy. This will set out the long-term, integrated infrastructure requirements of our State and address emerging bottlenecks, the social, economic and environmental costs of our infrastructure challenges, the objectives to be achieved against which the performance of our infrastructure can be benchmarked, and a full range of potential solutions to those problems.

The 20-year strategy will detail recommended major infrastructure projects backed by sufficient evidence and analysis to gain broad community support and confidence. It will be reviewed every five years. Flowing from the 20-year strategy will be detailed, costed and transparent five-year infrastructure plans, with projects funded in the forward estimates. These costed and funded five-year plans will bring back certainty and a real project pipeline for New South Wales and address Labor's shameful legacy of reputational risks in New South Wales for investors and companies. Infrastructure NSW will also prepare sectoral State infrastructure strategy statements as required across key economic sectors. These will set out a clear analysis of long-term requirements for a sector, and a transparent road map for infrastructure needs. For example, sectoral statements could address needs in areas such as ports, metropolitan or rural transport or water. These plans and statements will be submitted for approval to the Premier and the Infrastructure Committee of Cabinet and, again, any decision to vary a recommended plan will be reported transparently.

Part 5 of the bill relates to the delivery of major infrastructure projects. Infrastructure NSW will primarily play a coordination and facilitation role in cooperation with other government agencies and the private sector, who will deliver the important projects outlined in the 20-year State Infrastructure Strategy and five-year Infrastructure Plan. However, when a major infrastructure project is of high strategic importance and would benefit from the dedicated focus and expertise of Infrastructure NSW, the Premier may direct Infrastructure NSW through a "project authorisation order" to take responsibility for the entire or specified part of a project. The power conferred by part 5 for Infrastructure NSW to step in to deliver major projects will be required only rarely. It provides the community with confidence that key projects can be delivered on time and within budget.

It is the intention that Infrastructure NSW work in close collaboration with State agencies, including the new Integrated Transport Authority, on these infrastructure needs. And I acknowledge that several of these agencies have well-recognised skills and track records in project delivery. The success of Infrastructure NSW will lie in its ability to coordinate and facilitate across government, but to take on very few projects for direct delivery itself. When a project is beyond the existing skills set of a particular agency, or is likely to consume its

attention at the expense of its primary service delivery functions, Infrastructure NSW may recommend to the Premier and Infrastructure Committee an alternative delivery method. And, if a project were to bring together a number of agencies' requirements in a single project, with no clear majority stakeholder, a practical outcome might be for Infrastructure NSW to step in and set up a special delivery model to deliver the project. These decisions will be made in consultation with agencies, based on evidence and experience, and in the public interest.

Environmental planning and assessment requirements are not altered or affected in any way by this bill. As previously announced, the Government is separately bringing forward amendments to address community concerns with part 3A of the Environmental Planning and Assessment Act 1979. If Infrastructure NSW were to take over a project during the environmental planning and assessment process, the steps in the process that have already been undertaken, and any approvals that have already been obtained, need not be affected. Infrastructure NSW can simply step into the shoes of the relevant government agency at the same point in the approval process.

I now turn to other features of the bill. Part 1 of the bill provides preliminary information including definitions. A "major infrastructure project" means a project that has a capital investment value of more than \$100 million or that has been nominated as a special project requiring oversight or coordination by Infrastructure NSW. Part 2 establishes Infrastructure NSW as a statutory corporation and outlines the roles of the board, chief executive and coordinator general. Part 3 specifies the functions of Infrastructure NSW, including the 20-year State infrastructure strategy, five-year plans, preparation of implementation plans, provision of advice regarding risk assessment in infrastructure provision, recommended funding and delivery arrangements, and the overseeing and monitoring of delivery of major infrastructure projects.

An important function will be the role of Infrastructure NSW in coordinating funding submissions to the Commonwealth, including Infrastructure Australia, to achieve this State's fair share of contribution to vital infrastructure, reversing Labor's failure to bid or succeed for our infrastructure share, and taking a strategic, professional and evidence-based case to the Commonwealth. So while the Government has already reaffirmed our commitment to build, and the Minister for Transport has lost no time in starting project work to deliver the North West Rail Link, we will be able to call upon the skills and expertise of Infrastructure NSW to assist in determining the most effective funding mechanism for the project. In April I commenced discussions with the Prime Minister on New South Wales' critical infrastructure priorities, including the North West Rail Link, and I remain hopeful of an outcome that respects our mandate and our commitment to begin construction of the North West Rail Link in this term of Parliament. Part 4 of the bill contains the provisions governing the 20-year State infrastructure strategy, annual five-year Infrastructure Plan and State infrastructure strategy sectoral statements. Division 4 of part 4 of the bill contains the provisions governing the role of Infrastructure NSW in overseeing and monitoring the delivery of specified major infrastructure projects. Infrastructure NSW may require a government agency to prepare a

project implementation plan. This process will provide assurance that critical infrastructure projects are tracking to plan.

Part 5 of the bill provides for the Premier to order, through a project authorisation order, that Infrastructure NSW become responsible for the carrying out of a project. Provisions include the option of transferring ownership of the project assets, rights and liabilities from an agency to Infrastructure NSW; or for a project to continue to be owned by the government agency but Infrastructure NSW have the power to exercise the functions of the agency and to direct the authority in relation to the carrying out of the project. In such a case the agency itself will be unable to exercise its functions relating to the project without the consent of Infrastructure NSW; or where a project is owned by Infrastructure NSW, it will become the proponent of the project. It will have the power to acquire land in accordance with the Land Acquisition (Just Terms Compensation) Act. Clause 35 of the bill provides for a project that is owned by Infrastructure NSW during implementation to be transferred, upon completion, back to the relevant agency for operation. Importantly, the bill extends to State-owned corporations, which are responsible for many major infrastructure networks across New South Wales.

Under subclause 32 (4) of the bill, the Premier cannot make a project authorisation in respect of a State-owned corporation without first consulting with the portfolio Minister, the voting shareholders and the chair of the board of the State-owned corporation. Similarly, under subclause 35 (5) of the bill, it will be necessary to consult with the portfolio Minister, the voting shareholders and the chair of the board of the State-owned corporation before making a project divesting order in respect of a State-owned corporation. Under clause 15, State-owned corporations—along with all government agencies—will be required to cooperate with Infrastructure NSW in the exercise of its functions, including complying with any reasonable request of Infrastructure NSW for information to enable that body to exercise its functions. This provision will enable Infrastructure NSW to request copies of draft submissions that State-owned corporations propose to make to independent regulators. Schedule 1 to the bill sets out provisions for members of and procedures of the board, including that the chairman's remuneration be determined independently by the Statutory and Other Officers Tribunal. These are the key elements of the bill.

The Government's intention regarding the role Infrastructure NSW will play has been made clear in our Five Point Action Plan, and detailed supporting policy documents. I acknowledge the support and encouragement we have had for the proposal from peak infrastructure and industry organisations in New South Wales, who have long advocated for a transparent and professional approach to fixing this State's infrastructure problems. We understand that to harness the potential of the non-government sector in capital, know-how and innovation we need a new model in New South Wales. The Government, through Infrastructure NSW, is determined to set New South Wales back on the path of investment in world's best practice infrastructure planning and delivery to improve the lives of our citizens across this State. The people of New South Wales want our State to be number one again. We want to restore that great sense of pride in our cities and in our regions, and to be confident in the opportunities

for the future available to all our citizens. Providing the infrastructure that New South Wales needs and deserves is the first step. I commend the bill to the House.