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Dear Committee

### **Building Queensland Bill 2015**

The Urban Development Institute of Australia (Queensland) (the Institute) appreciates the opportunity to make a submission on the Building Queensland Bill 2015 (BQ Bill).

Infrastructure investment has the potential to greatly improve Queensland's economic productivity and the quality of life in our cities and towns. With careful planning and delivery, this can generate an enormous positive net benefit for Queenslanders. Ensuring the timely provision of sufficient major infrastructure such as transport, utilities, stormwater and community infrastructure is an ongoing area of concern for the development industry.

Providing fit-for-purpose infrastructure as our communities grow is essential to ensuring that there is a ready and timely supply of affordable land suitable for new housing and employment centres. A lack of funding for key urban infrastructure is one of the most often cited reasons why local governments do not rezone land and for delays to or abandonment of development projects. Infrastructure investment that unlocks land cannot and should not always be paid for by the private sector particularly when infrastructure delivers benefits far beyond an individual development to downstream developers, as well as to the wider community and future generations. Too often, development activity is stopped or delayed because of protracted negotiations with State and local governments around the timely provision of urban infrastructure.

A key challenge for Governments is ensuring the selection process for new infrastructure projects is rigorous, transparent and evidence based, so that Governments and the community receive the best return on their investment of scarce funds. Poor project selection removes funds from more worthy projects, and can act as a strain on government resources and result in a net loss to the community.

**The Institute therefore welcomes the BQ Bill and its potential to deliver increased rigour and transparency in infrastructure planning and investment decisions in Queensland.**

In particular, the production of a regularly updated infrastructure pipeline document that informs annual updates of a State Infrastructure Plan is welcomed. A detailed, credible and funded pipeline of projects will result in greater certainty for industry and consequently more investment and better investment decisions by the private sector.

For the most part, whether or not BQ delivers on the Government's objectives will be determined by the adequacy of its operational arrangements, the strength of the relationships developed with State Agencies and the adequacy of funding provided through the Budget to BQ. We believe that there are some changes to the BQ Bill that will result in increased rigour, efficiency and transparency in infrastructure planning and investment decisions. These recommended changes are detailed below.

#### Transparency and Accountability – Ministerial directions

Section 18 of the BQ Bill provides the Minister with broad powers to give a direction to BQ regarding the exercising of its functions in relation to a particular infrastructure proposal or project.

Section 50(c) of the BQ Bill further states that the Annual Report of BQ must include details of any Ministerial directions given in the financial year in which the Report relates and what actions BQ took in response to those directions.

The Institute welcomes the transparency in relation to reporting any Ministerial directions provided to BQ. The Institute is concerned, however, that the timeliness of this transparency is such that it may limit the degree of accountability and public scrutiny of infrastructure decisions – an important principle highlighted in the Minister's Explanatory Speech.

Often Annual Reports are not published for four months or more after the end of a financial year. Potentially, it may therefore be up to 16 months between when a Ministerial direction is given and the disclosure of that direction.

The Institute therefore recommends that the Bill be amended in the interests of accountability such that BQ is required to publish on its website the details of any Ministerial direction given and the action taken by BQ within 28 days after the end of each six month period after the commencement Building Queensland.

#### Preparation of business cases

Section 13(1) of the BQ Bill specifies that BQ is to assist in the preparation of a business case for projects worth \$50m or more and lead the preparation of a business case for projects worth \$100m or more.

The Institute believes that the \$50m threshold for providing assistance in preparing business cases is appropriate. The Institute is of the view, however, that the threshold of \$100m whereby BQ leads the preparation of a business case is too low. It is not unusual for projects such as interchange upgrades to cost in excess of \$100m. The Institute is of the view that BQ ought to only be leading the preparation of a business case for infrastructure of particular State significance.

The Institute is concerned that the \$100m threshold will result in too many projects being led by BQ. This presents the risk that BQ will become a bottleneck and add an extra layer of bureaucracy that slows down the process of infrastructure planning without adding sufficient additional value.

The Institute therefore recommends that the value threshold for BQ to lead the preparation of a business case be increased from \$100m to \$250m. This recommendation, however, is conditional on there being

changes to the disclosure of information in relation to projects whereby BQ assists (rather than leads) the preparation of business cases.

Projects valued at between \$50m and \$250m ought to have some public disclosure requirements. Specifically, the Institute recommends that section 13 of the BQ Bill be amended to the effect that the Minister be provided with information relating to all projects that BQ assists in the preparation of a business case and that section 16 similarly be amended to require a summary of any cost-benefit analysis undertaken for those proposals be published on the BQ website within 28 days.

Where a State Agency that leads the business case for infrastructure proposals (with the assistance of BQ) departs from the cost-benefit methodology adopted by BQ under section 13(3), the nature of that departure ought to be included in the cost-benefit summary published on the BQ website.

### Local infrastructure

The Institute notes that the BQ Bill proposes that the scope of BQ is limited to State Government Agencies including Government Departments, Government Owned Corporations, Queensland Rail, Stadiums Queensland and SEQWater.

Notable exclusions from this list are local governments and water distributor-retailers (i.e. Queensland Urban Utilities and Unitywater).

In relation to local infrastructure, developers are typically required to fund and construct a range of local infrastructure deemed to be necessary for urban development (including water, wastewater, stormwater, transport and social infrastructure). When it comes to larger and expensive items of local infrastructure where the benefits of that infrastructure are shared widely (or where it is difficult to accurately apportion the costs amongst beneficiaries), upfront government funding out of general revenue sources typically occurs and is warranted.

As mentioned at the outset in this submission, providing fit-for-purpose infrastructure as our communities grow is particularly important to ensure that there is a ready and timely supply of affordable land suitable for new housing and employment centres. A lack of or an unwillingness by local or state governments to fund key urban infrastructure is one of the most often cited reasons why local governments do not rezone land and for delays to or abandonment of development projects. Too often, development activity is stopped or delayed because of protracted negotiations between the private sector and state and local governments around the timely provision of urban infrastructure.

Whilst upgrades to sewerage, local roads or water infrastructure may ultimately be the responsibility of local governments or water distributor-retailers (water DRs), historically the State Government has assisted in the funding of this infrastructure through either subsidies, grants programs or through case-by-case negotiations on individual pieces of infrastructure. This is appropriate given that many of the economic benefits that this investment delivers results in significant revenue flows to the state government in the form of GST, land taxes and stamp duties.

Take, for example, the proposed Rubyanna Waste Water Treatment Plant project near Bundaberg. The estimated cost of this project is in the order of \$100m. The timely delivery of this treatment plant would be the catalyst for significant economic development in the region. The Bundaberg Regional Council is committed to the project but needs and is currently seeking a State Government contribution.

Under the proposed scope of BQ, a local government or water DR would not be entitled to seek BQs assistance in evaluating or preparing a business case for the project. The Institute's reading of the BQ Bill leads us to conclude that a local government or water DR would have to lobby the State with its proposal and secure in principle agreement that a State Government Department would provide some co-investment before that proposal would potentially trigger the involvement of BQ.

Because the State often co-invests in significant catalytic local infrastructure, the Institute is of the view that BQ's scope must be extended to include local infrastructure proposals in circumstances where the local government or water DR is seeking a financial contribution from the State.

The Institute is not recommending that BQs involvement in such local infrastructure be automatically triggered by legislation, but instead that the BQ Bill be amended to give the right for local governments or water DRs to 'opt in' to the system. Specifically, it is recommended that if local governments or water DRs 'refer' an infrastructure proposal to BQ, then BQ must then be required by its legislation to treat that infrastructure proposal like any other proposal that originates from a Government Agency.

It is important to note that often local governments don't have the capacity and resources to develop a rigorous infrastructure business case for the purposes of seeking or obtaining a commitment by the State Government for co-investment. State Government co-investment in local infrastructure has quite rightly always occurred and as such local governments and water DRs ought to be able to utilise BQs services and have significant local infrastructure considered for inclusion in the pipeline of priority projects that BQ presents on a regular basis to the Minister.

#### Transparency and accountability – cost-benefit analysis

Section 16 of the BQ Bill requires BQ to publish a summary of any cost-benefit analysis undertaken in relation to business cases that it leads for an infrastructure proposal.

Where BQ leads the business case for an infrastructure proposal, section 13(2) requires that a full cost-benefit analysis along with other information is provided to the Minister. Further, section 16 of the BQ Bill requires BQ to publish on its website a summary of any cost-benefit analysis undertaken in relation to business cases that it leads for an infrastructure proposal.

Section 16 is silent in relation to reporting timeframes for the cost-benefit analysis summary. Again, in the interests of transparency, accountability and public scrutiny, the Institute recommends that section 16 of the Bill be amended such that BQ be required to publish on its website a summary of the cost-benefit analysis undertaken under section 13(2) no longer than 60 days after providing information to the Minister required under s13(2).

#### Transparency and accountability – infrastructure pipeline

Section 14(1) of the BQ Bill requires BQ to prepare and maintain a document that is to "*state the following for each infrastructure proposal or infrastructure project Building Queensland considers to be a priority for the State—*

*(a) the stage of development of the proposal or project;*



*(b) an estimate of the cost to deliver the proposal or project.”*

Further, section 14(2) requires BQ to give a copy of the document, or an update of the document to the Minister every six months after it is first prepared.

The Institute strongly supports this aspect of the BQ Bill. Ensuring that the Government receives regular and rigorous independent advice as to what ought to be included in a pipeline of priority projects is an important step towards ensuring that the community receive the best return on their investment of scarce funds.

It doesn't appear that the Bill BQ requires that the infrastructure pipeline document be published on BQs website. Whilst some of the information in this document may be available in other forms in other documents that BQ is required to publish, not all of it will be.

In the interests of transparency, accountability and public scrutiny, the Institute recommends that the BQ Bill be amended such that BQ be required to publish on its website an update of the 'Infrastructure pipeline document' (excluding any commercial in confidence information) described in section 14(1) within 60 days after it is given to the Minister.

#### Conclusion

Thank you again for the opportunity to comment on the BQ Bill. The Institute supports the establishment of BQ and its potential to deliver increased rigour and transparency in infrastructure planning and investment decisions in Queensland. We would welcome the opportunity to provide more detailed feedback to the Committee or the Department in relation to the recommendations made in this submission.

Yours sincerely

**Urban Development Institute of Australia (Queensland)**



Marina Vit

**Chief Executive Officer**