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PROSPERITY | JOBS |
STRONG COMMUNITIES

Submission to the Parliamentary Committee Inquiry Building Queensland Bill 2015

24 June 2015

Contents

1. Executive Summary	3
2. Summary of recommendations.....	4
3. Property industry's contribution to the Queensland economy	5
4. The development of a framework for the assessment of an infrastructure project.....	6
5. Preparing business cases for infrastructure projects	6
6. Utilisation of business case criteria.....	7
7. Developing and maintaining an infrastructure pipeline document	7
8. Conclusion	8
Contacts	9

1. Executive Summary

The Property Council would like to thank the Infrastructure, Planning and Natural Resources Committee (Committee) for the opportunity to provide a submission on the *Building Queensland Bill 2015* (the Bill).

The Property Council has long advocated for the introduction of a transparent and accountable system for assessing, prioritising and delivering critical infrastructure in Queensland.

Building Queensland will provide an important first step in de-politicising the infrastructure planning process, and assist the property industry with the planning and capacity maintenance of long term projects.

The Property Council supports the introduction and operation of *Building Queensland* as a mechanism to assess project suitability, and provide this clarity.

With limitations on the public funds available to finance infrastructure, *Building Queensland* must lead a change in the way we prioritise and invest in infrastructure in Queensland.

State Government departments and agencies have established their own criteria by which they determine projects that should be given priority for funding.

The Property Council is keen to see the 'best practice' cost-benefit criteria established by *Building Queensland* given precedence by Government agencies over their own criteria, to ensure consistency across the whole-of-Government when determining infrastructure priorities.

While it is acknowledged that the Cabinet Budget Review Committee will ultimately take responsibility for determining the funding and rollout of infrastructure priorities, *Building Queensland* must look beyond traditional cost-benefit analyses when recommending which projects should be prioritised.

In particular, the Property Council is keen for *Building Queensland* to further examine the work undertaken through the 'UK City Deals' model, whereby there is a greater focus on the economic growth and jobs that infrastructure unlocks, rather than traditional measures of cost and benefit, such as upfront cost to Government or alleviation of traffic congestion.

It will also be critical that business cases developed by *Building Queensland* examine the best way to unlock private sector investment in infrastructure that may fast-track its delivery, or open up new opportunities for the Government.

To ensure Queensland receives the right infrastructure in the right place, for the right cost, the Property Council provides the following submission and key recommendations for the Committee's consideration.

2. Summary of recommendations

1. Ensure the framework for assessing costs and benefits considers the complete economic value of a project.
2. Provide clarification and assurance of the additional timeframes that the *Building Queensland* business case development process may add to new and existing infrastructure projects.
3. Clarify the criteria utilised in the development of a business case, including the weighting of these criteria.
4. Provide assurances that the 'infrastructure pipeline development' responsibilities of *Building Queensland* will be a priority action for the body.

3. Property industry's contribution to the Queensland economy

The property industry in Queensland creates the homes we live in, the offices in which we work, and the shopping centres and recreational areas where we spend our leisure time.

It has a larger footprint on the Queensland economy than any other industry¹.

3.1 Contribution to Gross State Product (GSP)

The property industry directly contributed \$33.8 billion to GSP in Queensland in 2013-14, representing 11.4 per cent of total GSP.

It is estimated to have contributed a further \$49.9 billion to Queensland GSP through flow-on demand for goods and services.

3.2 Contribution to employment

The property industry directly employed 239,772 full time equivalent (FTE) employees in Queensland in 2013-14, representing 12.1 per cent of the state's workforce.

The industry also supported some 292,684 additional FTE jobs through flow-on activity.

Approximately 27.4 per cent of wages and salaries paid to Australian workers are generated by the property industry.

3.3 Contribution to government revenues

The property sector in Queensland contributed approximately \$9.9 billion in combined State Government tax revenues and local government rates, fees and charges revenue in 2013-14. This equates to 49.8 per cent of total State taxes and local government rates, fees and charges revenues in 2013-14.

¹ All the statistics in this section are sourced from AEC group, 2015

4. The development of a framework for the assessment of an infrastructure project

Beyond cost-benefit analysis

Clause 11 of the Bill makes clear that *Building Queensland* must develop a framework for assessing costs and benefits of infrastructure projects, and that this framework is intended to be adopted across Government as a standard for assessing infrastructure projects and proposals.

As an independent authority, it is unclear what the mechanism will be to ensure the framework developed by *Building Queensland* will be adopted across other agencies.

The matters included in the *Building Queensland* framework will be critical to ensuring projects are adequately prioritised and represent the greatest return in value for the State.

To this end, the Property Council strongly supports the inclusion of investment value of infrastructure in the consideration of the value of a project.

Infrastructure projects must be considered alongside the value of the increased development and living standards that they unlock, and the quantum of this value should be a critical element of the prioritisation process.

The Property Council has long advocated for a paradigm shift from the narrow prism of cost benefit analysis to a system wherein:

- the business case for projects includes an assessment in terms of growth in jobs and productivity (along with attendant increases in tax revenue); and
- the goal is to achieve ongoing improvements in gross value added (local GDP) for an economic region.

As such, we strongly support recognition of the value of productivity benefits and forecast growth in *Building Queensland's* infrastructure analysis, and encourage the Committee to look at the benefits of the successful 'UK City Deals' model as an example of the importance of looking beyond traditional assessment criteria.

5. Preparing business cases for infrastructure projects

Timeframes for the delivery of business cases

As outlined in Clause 13 of the Bill, a key role of *Building Queensland* will be preparing- or assisting in the preparation of- business cases for infrastructure projects.

The Property Council supports *Building Queensland's* role in the development of these business cases, and the mooted relationship between project cost threshold and the level of *Building Queensland's* involvement.

The Property Council is concerned however, about the time delays added to projects which have previously undergone detailed business case development.

The *Queensland Transport and Roads Investment Program* (QTRIP) is an example of an established amalgam of infrastructure projects which have undergone 3 years of business case assessment.

While early conversations with *Building Queensland* indicate projects already in the planning stage will not require further analysis, the Property Council is seeking formal clarification that this is the case.

In addition, the Property Council would support a maximum timeframe for the delivery of business cases for infrastructure projects for which a business case already exists.

6. Utilisation of business case criteria

The importance of objective assessment criteria

The Bill outlines the need for a method, approved by *Building Queensland*, which enables different types of infrastructure proposals to be compared against one another.

As *Building Queensland* will not be responsible for prioritising those projects it assesses, it is essential that the criteria developed to facilitate comparisons utilises equal weightings and multipliers across Government, to ensure projects are not considered against subjective, case-by-case methodologies.

7. Developing and maintaining an infrastructure pipeline document

The critical nature of the development of an infrastructure pipeline

The Property Council welcomes the commitment to the preparation of an infrastructure pipeline document, outlined under Clause 14 of the Bill.

We stress the importance of the timely delivery of the first pipeline document and its public availability to provide certainty to industry regarding the infrastructure priorities currently being considered by *Building Queensland*, particularly in the absence of a state-wide infrastructure plan.

With the *Queensland Infrastructure Plan* not slated until early 2016, the Property Council would support clarity regarding timeframes for the release of this document.

8. Conclusion

The Property Council would like to again thank the Committee for the opportunity to provide a submission on the *Building Queensland Bill 2015* (the Bill).

If you have any further questions about the Property Council or the detail included in this submission, please contact Chris Mountford on 07 3225 3000, or cmountford@propertycouncil.com.au.

Yours sincerely



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