

Project appraisals and community buy-in

**Submission by Roads Australia to the Department of Infrastructure and Regional Development
on the overview of project appraisal**

About Roads Australia

Roads Australia (RA) is a not for profit, non-political industry association in the Australian road transport sector.

Our organisation draws attention to the importance of our road network to the economic and social fabric of our nation. Roads Australia seeks to ensure that information and decision-making in relation to our road transport is well informed and reflects an appropriate level of priorities.

To that end, Roads Australia provides a forum for policy development and communication, working in a cooperative relationship with decision-makers (including local, state and federal governments).

We have more than 100 member organisations including road and transport authorities across the country. (Please refer to a list of members attached)

Roads Australia's membership embraces a very broad spectrum; the views expressed in this paper represent the general views of members, but are not necessarily representative of the views of all individual members.

Roads Australia would be pleased to provide further information or discuss any of the areas raised in this submission.

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Introduction

Roads Australia welcomes the Government's draft document on the overview of project appraisal and broadly supports the views in the document. The revised proposed project appraisal framework is a significant step forward in ensuring that a much wider range of costs and/or benefits are explicitly required to be evaluated, including those unable to be monetised.

The transport network is a fundamental driver of the national economy and a better understanding those economic drivers, either cost benefit analysis and/or wider economic benefits will assist governments to deliver the best outcomes for communities.

Project appraisal / cost benefit analysis / wider economic benefits

In relation to strategic planning in the appraisal methodology flow chart on figure 1, consideration may also need to be given to identifying threats, for example security and/or resilience on bridges or extreme weather events.

The inclusion of wider economic benefits is essential to capture the full range of issues surrounding major projects and project viability cannot be assessed only by pure measurable dollar criteria.

Without a better appraisal framework, it would not be possible to justify the adoption of projects for the benefit of relatively small communities, such as the provision of roads and rail in rural/regional areas.

In these situations where the number of users is small, the infrastructure costs would far outweigh the benefits derived and the resulting BCR would be less than 1. For example a project in the late 1990s in Victoria, the section of the Calder Freeway between Kyneton and Faraday could only achieve a BCR of 0.6. However, the Government went ahead with the project using the concept of "equity" to enable the provision of a high standard of infrastructure for relatively small communities.

The proposed appraisal framework would enable a more consistent approach for the use of funds for the so called low BCR projects which have high societal merit.

Consideration should also be given to greater use of 'reliability' as meaningful measure to improve efficiency and return on investment from existing and planned assets.

The importance of community buy-in

One of the impediments to large infrastructure projects is the lack of information publicly available. It is important for Governments, both state and federal, to ensure community buy-in for these large projects and provide as much information publicly as possible.

Due to commercial negotiations on many of the large PPPs in Australia, confidential information, such as BCRs, tolls, etc. are unable to be publicly available. This ensures that Government's do not adversely affect their negotiations with the private sector to get the best price/outcomes for the project.

However, it would assist the community to know at what point in the process/project appraisal information can be made publicly available and how much information will be made available. We must make sure that we do not affect the Government's ability to negotiate on behalf of the State.

It is clear than in recent times, the community is interested to know more about key infrastructure projects and it is important that Federal and State Governments understand the importance of community buy-in. The community will get behind projects that are nation building if they can understand the benefits of the project.

The need for a project pipeline

The importance of creating a reliable, funded pipeline of infrastructure projects cannot be underestimated.

In August 2009, Roads Australia's Capacity Chapter produced an Issues Paper on the *Benefits of a Rolling Four-Year Program of Work*, estimating that the good planning, resource allocation and focus on outcomes generated through a high level of predictability could conservatively generate a saving of five per cent to the RTA in the \$4.4 billion NSW Roads Budget over 2009/10.

At that time, Roads Australia estimated this saving could have funded another major piece of infrastructure, such as 10km of Pacific Highway.

Governments – both Commonwealth and state - should have a clear view on the future pipeline of projects and identify when investment is likely to occur, particularly for larger infrastructure projects.

The advantages of providing such a predictable pipeline of projects include:

- allows for the timely and cost-efficient progress of project investigations, environmental assessment, design, property acquisition and procurement,
- ensures tenderers can allocate the best people, in terms of experience and capability, to deliver competitive, value-for-money outcomes,
- allows governments to optimise their expenditure, and
- allows for a concentrated capacity development and investment strategy.

The stand-out reason for introducing longer term forward programming is the value for money it will afford the taxpayer, as highlighted in our 2009 Issues Paper.

By giving industry greater lead-time to plan and prepare bids, the cost of the bids will be reduced and the quality of the bids will increase. This will lead to higher quality road infrastructure being constructed, at lower cost.

RA welcomes Infrastructure Australia's renewed role, particularly the work underway to publish a 15-year national infrastructure plan.

This document covers the need for project appraisal on individual projects, however, it lacks discussion about a programme of works, for example the upgrade of the Bruce Highway north of Brisbane.

With the plans in place, a clear and viable infrastructure pipeline can be achieved. Strong leadership and collaboration with States will be essential.

Roads Australia Members

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Bold = RA Board Member

The RA Board

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