



Premier of New South Wales
Minister for Infrastructure
Minister for Western Sydney

Reference: A911675

Ms R Miller
Clerk of the Legislative Assembly
Parliament House
Macquarie Street
SYDNEY NSW 2000

21 JAN 2015

Dear Ms Miller

I write in response to Report No. 16/55 of the Public Accounts Committee – *Planning NSW Infrastructure for the Twenty-Second Century*.

The NSW Government has reviewed the issues and themes outlined in the Report and provided advice on the State's long term infrastructure planning and delivery capabilities.

I am pleased to provide the House with the attached NSW Government response to the Public Accounts Committee.

Yours sincerely



MIKE BAIRD MP
Premier



NSW Government Response

Legislative Assembly – Public Accounts Committee: Planning NSW Infrastructure for the Twenty-Second Century

Committee Recommendation

The Committee recommends that the NSW Government review the issues and themes outlined in this report and advise the Committee on NSW's long term infrastructure planning and delivery capabilities, with specific reference to:

- a) The current status of long-term infrastructure planning in New South Wales
- b) NSW's preparedness to plan, fund and deliver infrastructure in a timeframe beyond 20 years and up to 100 years
- c) Actions to achieve bipartisan support and community buy-in for NSW's infrastructure plans, including demonstrated commitment to ensuring the availability of independent advice, public consultation and transparent decision-making
- d) Regulatory reform of the planning system and metropolitan governance, and the adoption of Integrated Infrastructure Planning and Management
- e) Intergovernmental relationships and clarifying the roles of the three levels of government
- f) Financing reforms, developing innovative funding arrangements, and attracting long term investors in infrastructure
- g) Development of service standards and consumer benchmarks for asset performance
- h) Independent performance management and reporting.

Response

Long Term Integrated Planning

The NSW Government is committed to a well-planned and forward focussed approach to infrastructure investment. In 2012, a 20 year infrastructure strategy was published, drawing on the priorities identified by Infrastructure NSW, the newly established independent infrastructure advisor to Government.

More recently, Infrastructure NSW undertook a review of the 20 year outlook with a particular focus on how the \$20 billion proceeds of the partial lease of the State's electricity network could be most effectively allocated. As a result, the NSW Government released *Rebuilding NSW – State Infrastructure Strategy 2014* in November, adopting all the recommendations of the Infrastructure NSW review.

In conjunction with *NSW 2021* and the *Long Term Transport Master Plan*, *Rebuilding NSW – State Infrastructure Plan 2014* illustrates the Government's longer term plans to deliver new and improved infrastructure across the transport, roads, education, health, water, energy and cultural portfolios.

Rebuilding NSW – State Infrastructure Plan 2014 identifies strategic infrastructure priorities for NSW over the next 20 years within the context of a long term view of future growth and infrastructure requirements. It also safeguards future infrastructure delivery by ensuring land corridors that will be needed in the future are identified and reserved.

Independent, Apolitical Advice and Engaging with the Community

The Government seeks to make well considered decisions based on evidence and facts. As such, advice and consultation is sought from independent organisations, the public service and the community to ensure that all factors and options have been considered. Projects are to be strategically planned, coordinated and properly managed to strengthen community confidence.

Infrastructure NSW was established in July 2011 to assist the NSW Government to identify and prioritise the delivery of critical public infrastructure for NSW. It is an independent statutory agency, established under the *Infrastructure NSW Act 2011*. The Board of Infrastructure NSW consists of the Chief Executive Officer, an independent Chairman and nine Board members. Under the Act, Infrastructure NSW is tasked with preparing a 20 year strategy for the Premier's consideration. This strategy is informed by expert professional analysis and advice, and is intended to assist the Government in making long term infrastructure decisions.

The NSW Government is committed to using the independent expertise of Infrastructure NSW. Most recently, Infrastructure NSW was asked to update its strategy to take into account the additional \$20 billion in infrastructure funding that would be released through the partial lease of the State electricity distribution network. The NSW Government subsequently accepted all of the recommendations put forward by Infrastructure NSW on how these funds would best be used.

Concurrently, extensive community consultation was undertaken to determine community priorities for the use of funds released through leasing the State's electricity assets. Community forums were held throughout the State and around 300 written submissions were lodged by individuals, councils, business and community groups. This process was an extension of existing mechanisms, such as the 'Have Your Say' website which enables increased community involvement in decision making.

Intergovernmental Relationships

NSW has a strong working relationship with both Federal and Local levels of government. To further strengthen these relationships, the NSW Government is closely engaged with the White Paper process on reform of the Federation. Through this collaborative process, NSW is seeking to better clarify roles and responsibilities, which will better support the efficient and effective delivery of infrastructure projects, driving state and national productivity.

Existing process and interactions with the Federal Government have resulted in positive outcomes for NSW, particularly in the delivery of major infrastructure projects. Most recently, the Federal Government has agreed to provide funding for the WestConnex and NorthConnex motorways, for major transport infrastructure in Western Sydney to support the second Sydney airport planned for Badgerys Creek, and for the duplication of the Pacific Highway.

Through intergovernmental processes such as the Council of Australian Governments (COAG), infrastructure reforms with impacts across jurisdictions have also been successfully realised. In May 2014, a National Partnership Agreement on Asset Recycling was signed. The Federal Government will provide incentive payments for the recycling of State owned assets, to be reinvested into new infrastructure. As a result, NSW should receive an additional \$2 billion from the future lease of the electricity network businesses, to reinvest into infrastructure.

The NSW Government provides updates to Infrastructure Australia (IA) on relevant NSW priority projects, to ensure that the IA Infrastructure Priority List adequately identifies projects of national significance, and appropriately prioritises access to the Infrastructure Tax Loss Incentive.

The NSW Government continues to work in partnership with local councils and communities in the development and funding of local infrastructure projects. Programs such as Fixing Country Roads, for example, allow regional councils to seek State funding to upgrade local road infrastructure. Similarly, the Water Security for Regions program allows councils to seek funding for urgent water security projects.

The NSW Government's Local Infrastructure Renewal Scheme also recognises that long-term lifecycle costs associated with the ongoing operation, maintenance and renewal of existing assets. It is currently providing councils with subsidies in interest costs to help with meeting the cost of borrowing to fund required works.

Infrastructure Financing

The Government takes a flexible approach to deciding appropriate funding and financing mechanisms for projects, designed to best meet circumstances. The ability to fund priority infrastructure projects is constrained by the State's fiscal position and commitment to prudent budget management. Since the Global Financial Crisis, private sector investors have also been reluctant to take on additional risk. To address these challenges, the Government has sought out innovative funding models to ensure that necessary new infrastructure is built and that taxpayers are receiving the best value for money.

In 2011, the Government established Restart NSW to promote economic growth and productivity through funding the delivery of major infrastructure projects. Restart NSW is capitalised by the proceeds of divestment transactions, such as the lease of Port Botany and Port Kembla, and other sources, including Waratah Bonds. The value generated by these transactions has often exceeded the value of dividends and other income payments from continued ownership. By recycling capital from mature assets, the Government is able to invest in new infrastructure projects.

The Government also uses Public Private Partnerships (PPPs) when appropriate. This procurement method refocuses infrastructure as an enabler for the delivery of Government services. PPPs offer opportunities to improve services and better value for money, primarily through appropriate risk transfer, encouraging innovation, greater asset utilisation and integrated whole-of-life management. The Government has successfully entered into partnerships to deliver projects such as the Sydney International Convention, Exhibition and Entertainment Centre Precinct and the North West Rail Link.

Asset Performance and Reporting

To ensure independent reporting internally within the Government at a project level, Infrastructure NSW prepares a Major Project Assurance Report every two months for Cabinet consideration. Noting time and costing variations, this Report enforces fiscal responsibility and management accountability for Government agencies responsible for the delivery of major infrastructure projects.

INSW has also implemented an enhanced investment review of the business cases and gateway assurance processes to support the development of recommendations. Each of the stages in the Major Projects Assurance Framework can be used to test project scoping and delivery plans, assess project delivery and benefit risks, and encourage new approaches to maximise value for money. Final decisions on infrastructure projects and programs are guided by final business cases.

The Government is also committed to ensuring effective and transparent reporting on its service delivery and asset performance. The *NSW 2021 Performance Report* provides an indication of the Government's performance under a rigorous framework that outlines progress against the Government's goals, targets and baseline measures. This will ensure that resources are allocated and aligned to better deliver services to the community.

Performance measures such as the intensity of usage and capacity of Sydney Trains services can indicate whether rail assets are being utilised effectively. Similarly, the average speed of vehicles on major motorways and average travel times are measures which can indicate whether roads infrastructure is delivering on expected service requirements for motorists.