



Infrastructure NSW: comparing administrative models

by Daniel Montoya

1. Introduction

Infrastructure was a significant issue in the 2011 NSW Election.¹ The Coalition's election policies included establishing a statutory body called Infrastructure NSW (INSW), along with an infrastructure capital fund to be called Restart NSW.² According to the election policy, INSW's mandate will involve strategic planning and co-ordinating delivery of major projects. Once elected, the NSW Coalition announced its intention to introduce legislation for the creation of INSW within its first 100 days in power.³

As at 23 May 2011, that foreshadowed legislation has not been introduced. In summarising the structure and functions of INSW, this e-brief relies therefore on non-legislative sources, party platform material and the like. In developing a structure and functions for INSW, the Government will draw on the independent [Christie Report](#) into public transport in Sydney and the experience of four infrastructure bodies in other jurisdictions: [Infrastructure Australia](#); [Partnerships Victoria](#); [Partnerships UK](#); and [Partnerships British Columbia](#). The structure and functions of two of these bodies – Infrastructure Australia and

Partnerships Victoria – are outlined in this e-brief.

Infrastructure Australia is a statutory body with an advisory and strategic mandate. Partnerships Victoria operates quite differently to a statutory body. Located within the Department of Treasury and Finance, the Partnerships Victoria team is one team amongst several involved in infrastructure administration. It deals with all public private partnership (PPP) projects in Victoria, all of which come under the Partnerships Victoria policy initiative. Partnerships UK and Partnerships British Columbia are similarly focused on PPPs and are for that reason not discussed in this e-brief.

[Infrastructure Ontario](#) was chosen as a third case study because, like the proposed INSW, it too is a sub-national statutory body with a broader remit. Its primary roles are providing loans for municipalities and other government bodies to build infrastructure, obtaining private finance for public infrastructure projects, plus infrastructure project management.

This e-brief deals with the administrative structures and functions

associated with these three infrastructure bodies, comparing these with the proposed INSW. It is planned to discuss infrastructure funding in a separate paper. The current state of NSW infrastructure is considered elsewhere.⁴

2. Infrastructure administration in Australia

Infrastructure administration in Australia has traditionally been the responsibility of government departments. Currently, three of Australia's States and Territories have a Department of Infrastructure: the [Northern Territory](#); [South Australia](#); and [Tasmania](#). In the other States, as in the ACT, a unit within one department, such as Treasury or Planning, may oversight infrastructure development, or alternatively the administration of infrastructure may be devolved amongst such relevant departments as Transport and Roads.

At the Commonwealth level, two bodies administer infrastructure: the [Department of Infrastructure and Transport](#); and [Infrastructure Australia](#) – a statutory body.

Primary responsibility for infrastructure administration under the Keneally Government was shared between Treasury and the Department of Premier and Cabinet. Treasury had released a [State Infrastructure Strategy 2008-2018](#) under the lemma Government, a rolling 10-year plan for infrastructure projects. This Strategy supported the infrastructure requirements and programs administered by individual departments.⁵

3. Infrastructure NSW

Infrastructure administration under the O'Farrell Government will take place through the [Department of Planning & Infrastructure](#); [Department of Trade & Investment, Regional Infrastructure & Services](#); and Infrastructure NSW (INSW). The incoming Government has appointed a Minister for Planning and Infrastructure to "ensure that planning and infrastructure decisions are integrated."⁶

In its pre-election policy platform, the Government said that INSW would be a "professional and independently chaired body" tasked with the "identification, prioritisation and delivery of critical public infrastructure across the State."⁷

The same pre-election source said that INSW would be governed by a Board with an Independent Chair appointed from outside government. INSW would also have a Co-ordinator General (CEO) who will report directly to the Premier. The proposed Board will comprise:

- an Independent Chair;
- the NSW Co-ordinator General;
- the Director General of the Department of Premier & Cabinet;
- the Secretary of Treasury;
- the Director General of the Department of State & Regional Development;
- the Director General of the Department of Planning and Infrastructure; and
- five members from the private sector with expertise in infrastructure.⁸

It is proposed that INSW will have numerous roles relating to infrastructure administration in NSW (see Box 1). These include planning, co-ordinating project implementation, and advising the Premier on infrastructure-related issues.

Box 1: Infrastructure NSW proposed roles

- Prepare a 20-year State Infrastructure Strategy, detailed 5-year Infrastructure Plans, and sectoral State Infrastructure Strategy Statements
- Liaise with Infrastructure Australia, co-ordinate State agency infrastructure delivery and advise the Premier on infrastructure projects
- Develop policies for infrastructure funding and delivery and recommend long-term land reservations for future infrastructure use
- Make recommendations on infrastructure for the Budget capital works program
- Co-ordinate delivery of major infrastructure projects of critical importance to the State
- Report to the Premier on infrastructure project delivery and implementation
- Oversight of Restart NSW – a capital fund for essential infrastructure

Of its many proposed roles, two are particularly noteworthy. First, the O'Farrell Government will commission Infrastructure NSW to create a 20-year State Infrastructure Strategy that is a "detailed plan backed by sufficient evidence and analysis to gain long-term bipartisan support." It intends to achieve bi-partisan support by tabling the Strategy in Parliament where it will be "subject to debate to establish a clear political mandate for the long-term strategy."⁹ Second, the Infrastructure NSW Board will have oversight of Restart NSW – a capital fund for essential infrastructure.¹⁰

On 2 May 2011, former NSW Premier and "experienced company director" Nick Greiner was appointed Chair of

INSW.¹¹ Mr Greiner was chosen by the O'Farrell Government because he "has the ideas, experience and the commercial nous to ensure we identify the projects needed to improve the lives of the people of NSW."¹²

Mixed responses have greeted the appointment of Mr Greiner. Stakeholders such as Infrastructure Partnerships Australia and Engineers Australia have welcomed his appointment, describing him as a "strong and experienced reformer."¹³ On the other hand, some media coverage has argued that the appointment of a former Liberal Premier fails to remove the politics out of infrastructure planning.¹⁴

4. Infrastructure Australia

Infrastructure Australia (IA) was established by the [Infrastructure Australia Act 2008](#) (Cth) as a "statutory advisory council to develop a strategy blueprint for the nation's future infrastructure needs."¹⁵ Under the Act, IA's primary function is to advise all Australian Governments and all relevant stakeholders on matters relating to infrastructure (see Box 2). Additional roles include developing Infrastructure Priority Lists to prioritise Australia's infrastructure needs and reviewing Commonwealth infrastructure funding programs to ensure they align with any such Lists.

Similar to the proposed Infrastructure NSW, IA has a role advising the Commonwealth Government on investment in infrastructure. In IA's case, under the [Nation-building Fund Act 2008](#) (Cth), the Federal Infrastructure, Communications, Energy and Water Ministers must obtain advice from IA prior to recommending investment in particular infrastructure to the Finance Minister.

Box 2: Infrastructure Australia roles

- Advise the Commonwealth Infrastructure Minister, all Australian Governments, investors in infrastructure and owners of infrastructure on matters relating to infrastructure
- Audit nationally significant infrastructure
- Develop Infrastructure Priority Lists that prioritise Australia's infrastructure needs
- Review and provide advice on infrastructure policy and investment programs
- Promote investment in infrastructure and identify any impediments to investment in infrastructure
- Provide advice on infrastructure policy issues arising from climate change
- Review Commonwealth infrastructure funding programs to ensure they align with Infrastructure Priority Lists
- Undertake or commission infrastructure related research
- Using set criteria, advise the Commonwealth Government on transport, communications, energy and water proposals for funding from the Building Australia Fund

Further, section 120(1) of the *Nation-building Fund Act 2008* provides that the Infrastructure Minister may, by legislative instrument, formulate criteria to be applied by IA in giving advice to the aforementioned Ministers. These criteria are known as the [Building Australia Fund Evaluation Criteria](#), and have four principles:

1. Projects should address national infrastructure priorities
2. Projects should demonstrate high benefits and effective use of resources
3. Projects should efficiently address infrastructure needs
4. Projects should demonstrate they achieve established standards in implementation and management.

Unlike the proposed Infrastructure NSW, the [Infrastructure Australia Act](#)

[2008](#) (Cth) does not provide for any involvement in the co-ordination of any infrastructure projects by IA. Its functions are more of oversight, advice and review than of infrastructure project management.

IA consists of a council of 12 members, nine of whom are appointed by the Commonwealth. The remaining three members are nominated by agreement between the States and Territories. This council is supported by an Infrastructure Co-ordinator, whose primary role is to assist IA in the performance of its functions (s 28), and who in turn is supported by the Office of the Infrastructure Co-ordinator.

Under the Act, IA may be subject to Ministerial direction about the performance of its functions (s 6). However, the Minister must not give directions regarding the advice IA presents to any Government or other stakeholders.

4.1 Infrastructure Australia: work to date

In its first [report](#) to COAG in December 2008, IA identified a framework made up of seven themes within which solutions for Australia's infrastructure gaps, deficiencies and bottlenecks could be developed, as follows:

1. A national broadband network
2. Creation of a true national energy market
3. Competitive international gateways
4. A national rail freight network
5. Adaptable and secure water supplies
6. Transforming our cities
7. Providing essential indigenous services.

More recently, IA's 2010 [report](#) to COAG identified four pressing

challenges that cut across the seven themes and all infrastructure sectors:

1. Population growth and long-term infrastructure needs
2. Financing future infrastructure
3. Protecting infrastructure corridors for the future
4. Reducing emissions and mitigating the impact of climate change.

IA has also published a set of [National Infrastructure Priorities](#), submitted a [National Ports Strategy](#) for consideration by COAG and, most recently, it released a [National Land Freight Strategy](#) discussion paper in February 2011.

4.2 Australian National Audit Office recommendations

The Australian National Audit Office (ANAO) released an [audit](#) of Infrastructure Australia activities in July 2010.¹⁶ ANAO conducted an independent assessment of the integrity and robustness of the processes adopted in respect to the first National Infrastructure Audit and in developing the first Infrastructure Priority List. While the ANAO concluded that IA had a "solid methodological base" upon which it operated, three recommendations were made to "provide greater transparency in the project prioritisation process and enhance the reporting of the prioritisation results"¹⁷, as follows:

1. Promote greater transparency over the development of future Infrastructure Priority Lists by maintaining records that clearly outline when decisions are taken to include projects on the List, and the reasons for their inclusion
2. Include information in the published guidance on the different criteria

that will be applied to discriminate between priority projects that are ready to proceed and those that exhibit potential but require further development before being considered for possible funding

3. Provide clear advice on (a) the relative priority of projects recommended for funding, with regard to their merits (b) the level and form of Commonwealth funding it recommends for priority projects that are ready to proceed, together with any conditions and (c) any other projects it would support being considered for planning and/or design work funding.

IA agreed to every recommendation without qualification except recommendation 3(b). With regard to 3(b), IA agreed with the importance of making a case for public funding, but concluded that funding was a matter for the Government to decide in the light of competing budget priorities.¹⁸

4.3 Treasury recommendations

In 2010, the Commonwealth Treasury recommended reforms to IA in its incoming government brief for the Gillard Government. Reforming IA was considered a significant first step to improving the "regulatory and governance frameworks for the efficient provision of national infrastructure."¹⁹ In this regard, the Treasury made three suggestions as to how IA's role could be enhanced:

1. Improve coordination of infrastructure investment across levels of government and ensure rigorous cost-benefit analysis of projects
2. Establish an enhanced national infrastructure pipeline to provide a

portfolio of potential investments for the private sector

3. Continue to develop and assist in the implementation of national transport strategies and capital city strategic plans.

4.4 Infrastructure Australia: recent developments

At the beginning of 2011, several media sources questioned the future of IA. For example, in February an opinion piece published in *The Australian* argued that the Federal Labor Party's election promise to build the Epping-Parramatta rail link without any cost-benefit analysis had made IA irrelevant.²⁰ Further, according to the opinion piece, IA had miscalculated the cost of Melbourne's regional rail link by \$880 million, raising questions as to IA's ability to scrutinise State government infrastructure plans in a rigorous manner.

The question of IA's capacity to conduct its role, and whether its mandate should be broadened, has been debated in the lead-up to the release of the 2011 Commonwealth Budget. On 14 April 2011, Tony Abbott, the Leader of the Federal Opposition, released a statement on infrastructure reform in which he committed to strengthening IA's role and guaranteeing ongoing funding.²¹ Business groups also expressed the opinion that IA required more funding and a more active, independent role.²²

Released on 10 May 2011, the Commonwealth Budget committed to enhancing IA's role. Annual funding was increased by \$2.5 million to \$9 million to enable IA to:

- develop more comprehensive infrastructure project and priority assessments, including through a

top-down analysis of nationally significant infrastructure needs;

- develop further opportunities for private investment in nationally significant infrastructure;
- continue its reform work through strategic planning for specific infrastructure sectors;²³ and
- review existing regional infrastructure plans to ensure they complement national infrastructure objectives.²⁴

IA transparency will also be improved by the requirement to publish cost-benefit analyses.²⁵

5. Infrastructure Ontario

Like Australia, recent Canadian infrastructure administration reforms have been driven by an "infrastructure deficit." Infrastructure-type agencies exist in [Ontario](#), [Quebec](#), [British Columbia](#) and at the [Federal](#) level.

Ontario Infrastructure Projects Corporation (otherwise known as Infrastructure Ontario, or IO) was incorporated in 2005 under Ontario's [Business Corporations Act, 1990](#). It was established to implement Ontario's major infrastructure projects using alternative financing and procurement (AFP) methods (equivalent to public private partnerships).

In July 2006, pursuant to the [Ontario Infrastructure Projects Corporation Act, 2006](#), IO was merged with the Ontario Strategic Infrastructure Financing Authority (OSFIA), a corporation under the [Corporations Act, 1990](#). This merger transferred OSFIA's responsibility for Ontario's [infrastructure loan program](#) into IO.²⁶ IO defines itself as a "Crown

corporation dedicated to managing some of the Province's larger and more complex infrastructure renewal projects, ensuring they are built on time and on budget, and to supporting infrastructure investment across the broader public sector."²⁷

5.1 Infrastructure Ontario roles

The [Ontario Infrastructure Projects Corporation Act, 2006](#)²⁸ established IO as "a corporation without share capital, composed of the members of its board of directors."²⁹ Several roles were given to IO (see Box 3), the most important of which are providing financing for municipalities and other public bodies for infrastructure projects, advising the Minister on infrastructure projects, and undertaking project management and contract management of infrastructure projects.

Box 3: Infrastructure Ontario roles

- Provide loans for municipalities and other public bodies for infrastructure projects
- Obtain funding to finance its activities
- Exercise powers under the relevant legislation regarding any bond, debenture or other security
- Provide the Minister with advice in respect to the use of Crown assets, and infrastructure projects in Ontario
- Undertake project management and contract management of infrastructure projects in Ontario assigned to IO by the Minister

With respect to the powers established by the Act, IO cannot borrow, invest or manage financial risks without the consent of the Minister of Finance. Further, IO cannot establish or acquire a subsidiary, trust, partnership or other entity unless authorized to do so by order of the Lieutenant Governor in

Council (a position equivalent to NSW's Governor).³⁰

IO's Board of Directors must number at least three and no more than eleven. The Board is empowered to manage or supervise the management of IO's business and affairs. The Minister may issue policies or directives to IO on matters relating to the exercise of its powers or duties. These policies or directives must be implemented promptly and efficiently (s 8).

IO has two main business lines.³¹ First, IO provides Ontario municipalities and other public sector bodies with "access to affordable loans to build and renew local public infrastructure."³² The public sector bodies to which IO may provide funds are set out in [Ontario Regulation 220/08](#), and include universities, non-for-profit long-term care providers, housing providers and certain institutions for the arts.

Second, IO uses the Alternative Financing and Procurement (AFP) method to leverage private financing to build infrastructure while "maintaining appropriate public control and ownership."³³ Projects delivered under the AFP model "must offer potential cost savings" in comparison with a traditional delivery model.³⁴ IO employs two AFP delivery models: Build-Finance projects; and Design-Build-Finance-Maintain projects.³⁵

5.2 Infrastructure Ontario finance

According to section 4 of the Act, IO may obtain finance by several methods, including establishing trusts, corporations, partnerships or other entities. To date, IO has obtained finance by the following two methods. First, the Government has provided three loans to IO:

- Province of Ontario Loan: a fifty-year subordinated loan of \$1 billion in exchange for a promissory note which matures in 2053;
- Ontario Clean Water Agency Loan: a twenty-year subordinated loan of \$120 million in exchange for a promissory note which matures in 2023; and
- OFA Revolving Credit Facility: the Ontario Financing Agency has provided IO with a revolving credit facility of up to \$200 million to provide working capital for AFP projects.³⁶

The first two loans provide:

1. Credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper;
2. A liquidity backstop for IO's financing needs; and
3. A stable long-term capital base that enables IO to achieve a high credit rating.³⁷

The second method by which IO obtains finance is through issuing bonds, debentures and other securities. As of March 2009, IO had issued Commercial Paper worth \$444.7 million and Infrastructure Renewal Bonds worth \$1.25 billion. It had also recently redeemed all of its Ontario Opportunity Bonds, valued at \$323 million.³⁸ As of 13 October 2010, Standard & Poor's had given IO's Infrastructure Renewal Bonds and Ontario Opportunity Bonds a credit rating of AA-, and its' Commercial Paper a rating of A-1+.³⁹

5.3 Ontario Government policy

Three Ontario Government policies provide the infrastructure framework within which IO has operated since its establishment in 2006. [*Building a Better Tomorrow: An Infrastructure Planning, Financing and Procurement Framework for Ontario's Public Sector*](#) was released in 2004.⁴⁰ This policy provides a "framework to guide the Ontario government, municipalities and broader public-sector partners in choosing the best options for planning, financing and procuring public infrastructure assets."⁴¹ Five guiding principles were adopted for use by the relevant government bodies in evaluating infrastructure proposals:

- The public interest is paramount;
- Value for money must be demonstrable;
- Appropriate public control/ownership must be preserved;
- Accountability must be maintained; and
- All processes must be fair, transparent and efficient.

In particular, all AFP projects, including those administered by IO, have to be evaluated according to these five principles.

The second significant government policy – [*ReNew Ontario*](#) – was recently wound up. Released in May 2005 by the Ministry for Public Infrastructure Renewal, this was a \$30 billion plus, five-year infrastructure investment plan that aimed to draw on new sources of investment, including private-sector investors, pension plans and infrastructure renewal bonds. Of the \$30 billion to be invested in infrastructure, it was expected that

approximately \$2.3 billion would come from AFP sources.⁴² A new infrastructure investment plan is currently being developed.

Finally, IO works within the context of growth plans for two regions of Ontario released in 2006 and 2011. These plans set out the infrastructure objectives for two key growth areas in Ontario.

5.4 Infrastructure Ontario: work to date

As of 28 April 2011, IO had 18 AFP projects that were substantially completed worth over \$2.9 billion. Estimated value for money savings from these projects totalled \$445.8 million, roughly 15% of the amount invested. A significant number of other projects were under earlier stages of construction or were in the process of being awarded.⁴³

In its latest annual report, IO stated that "as at March 31, 2009 IO had committed to providing over \$2.5 billion in loans, of which over \$1.9 billion had been advanced in support of over 850 infrastructure projects to renew the province's roads, bridges, universities, water systems and other vital public infrastructure."⁴⁴

5.5 Standing Committee on Government Agencies Inquiry 2009

At the end of 2008, the Ontario Standing Committee on Government Agencies conducted an [inquiry](#) into Infrastructure Ontario.⁴⁵ This Committee is empowered to make recommendations on such matters as the redundancy of agencies, boards or commissions, their accountability, whether they should be sunsetted and whether their mandate and roles should be revised.

The Committee made 15 recommendations, the most relevant of which concerned the following:

- IO should continue and, where given authority by the Ontario Government, expand its role to deliver essential infrastructure projects using the AFP model
- IO should include enhanced, consistent and comparable information on AFP projects in its annual reports while still adhering to corporate and financial confidentiality requirements
- IO in connection with the AFP projects under its authority should institute periodic and upgraded assessments of the risk to the Ontario government of the international financial situation and the involvement of various financial partners
- IO should develop infrastructure project environmental standards by which the submissions of project bidders are assessed.⁴⁶

5.6 Infrastructure Ontario: recent developments

Infrastructure administration in Ontario is in a period of transition. On 25 January 2011, the Ministry for Finance announced a proposed merger between IO and the [Ontario Realty Corporation](#) (ORC). According to the Ministry of Finance, benefits of the merger include: the creation of efficiencies and savings by removing overlapping functions; organisational streamlining; and the elimination of red tape and waste. The consolidated body will deliver the [Open Ontario Plan](#) – a five-year plan for the economy – and the new ten-year infrastructure [plan](#) that is currently under development.⁴⁷

6. Partnerships Victoria

Unlike IA, IO and the proposed INSW, Partnerships Victoria (PV) is a policy initiative that is administered by a team operating within the Department of Treasury and Finance. The original [policy](#) was first released in 2000 by the Bracks Government. According to this policy, PV is "concerned primarily with the establishment of partnerships for the provision of public infrastructure and related ancillary services."⁴⁸ A broad definition of infrastructure was adopted, extending:

beyond physical assets to encompass major information technology procurements. In this context, 'related ancillary services' may encompass accommodation services arising out of the infrastructure, building-related services such as maintenance and some support services.⁴⁹

The policy initially applied to any public infrastructure projects worth in excess of \$10 million over the period of the partnership. This changed in 2009 with the introduction of COAG's [National Public Private Partnership \(PPP\) Policy](#)⁵⁰, which stipulates that PPP procurement may only apply to projects with a capital expenditure of over \$50 million.⁵¹

According to the Victorian Government, five characteristics of PV are either key innovations and/or differences from past approaches to infrastructure procurement:

1. **Core services:** Government retains direct control of core public services such as health care in hospitals
2. **Public Sector Comparator:** Government uses the Public Sector Comparator benchmark in

determining value for money from private sector bids

3. **Public interest test:** this test covers probity, transparency and other criteria designed to protect community interests
4. **Contract management:** contracts need to be managed with a broader perspective about the commercial relationship and long-term value for money than in traditional procurement
5. **Standard Commercial Principles:** these represent the State's position on risk allocation, and form the basis of standard project contract terms.⁵²

6.1 Partnerships Victoria administration

PV administration has two components. First, the PV team – which is located within the Commercial Division of the Department of Treasury and Finance – administers the PV policy initiative.⁵³ Several other teams located in this Division are also involved in infrastructure administration. These deal with infrastructure issues such as [alliance contracting](#), [gateway reviews](#) and infrastructure procurement, whereas the PV team deals solely with PPP projects. The PV team has two roles (see Box 4): the development of PPP policy; and assisting other Departments manage infrastructure projects according to PPP policy.⁵⁴

Box 4: Partnerships Victoria roles

- Facilitate and assist other Departments manage the infrastructure projects for which the Departments are responsible
- Create PPP policy and evaluate proposed PPP projects to ensure that they are administered according to the policy

Second, each infrastructure project initiative is overseen by, and the responsibility of, the relevant Portfolio Minister. The relevant Department is required to establish a Procurement Team responsible for delivery of the project. This team must include, as a minimum:

- dedicated department personnel;
- an external or internal Project Director; and
- external legal, technical and financial advisers with appropriate experience.

The responsible Portfolio Minister must also delegate sufficient powers through the Department's Secretary or CEO to ensure that the Project Director is empowered to deliver the project.⁵⁵ Although no specific enabling legislation for *Partnerships Victoria* or for PPP projects exists in Victoria, legislation has been enacted or amended on occasion to enable infrastructure to proceed.⁵⁶

According to the PV team, some infrastructure projects are administered by the relevant Department when that Department possesses the internal capacity to do so, e.g. [VicRoads](#).⁵⁷ Where the Department does not possess such capacity, projects may be administered by [Major Projects Victoria](#) on behalf of the Department. Alternatively, a separate statutory body may be established to administer a specific PPP project e.g. the [Linking Melbourne Authority](#).

6.2 Partnerships Victoria: work to date

As of April 2011, there were 21 PV projects in existence worth around \$10.5 billion in capital investment.

Projects have been commissioned and built in such areas as health, criminal justice, water and transport.⁵⁸

6.3 Reviews, inquiries and audits

PV projects have been reviewed six times. The first [review](#), commissioned by the Victorian Treasurer in 2003, examined PV projects and the processes involved in their evaluation. While the review found credible evidence of benefits, the final report argued for a significant realignment of the policy along with the processes and projects involved. In particular, it recommended improved risk evaluation and allocation.

In 2006, the Victorian Public Accounts and Estimates Committee, a joint parliamentary committee, conducted an [inquiry](#) into the governance arrangements, risk, parliamentary accountability, public interest, economic benefits and changes in international accounting standards relating to PPP projects in Victoria.⁵⁹ 20 recommendations were made, the most relevant of which concerned the following:

- All major infrastructure projects including PPPs should be subject to independent reviews at various stages of project completion to measure the degree to which agreed outcomes are met. All results should be periodically reported to Parliament
- PPP contracts should include the total amount of payments, outlining the total government commitment and the impact on state debt, and should be made publically available
- Opportunities for parliamentary oversight of PPP financial arrangements and commitments should be improved

- The Auditor-General should periodically audit all major PPP projects to ensure value for money is achieved and maintained.⁶⁰

Most recently, the Victorian Auditor-General audited five PV projects in 2007, 2008, 2009 and 2010: the [Melbourne Convention Centre Development](#); [Southern Cross Station redevelopment](#); [New Royal Women's Hospital](#); [New Royal Children's Hospital](#); and [Management of Prison Accommodation Using PPPs](#). Relevant recommendations from these audits concerned the following topics:

- Improve documentation of project management methodologies, decision-making and contract variation
- Formalise project management methodologies and complete contract administration manuals
- Establish clear KPIs and audit projects against KPIs
- Departments should have clear service delivery strategies in order to establish desired project outputs

- Conduct and document quality assurance reviews of financial models
- PV should provide comprehensive guidance for management of PPP projects at all stages of the contract.

7. Summary

The Table below summarises differences and similarities between the roles of the three existing infrastructure bodies outlined in this e-brief. These are compared to the proposed INSW, to the extent that its role has been formulated to date. Only two roles are shared by all four bodies: advising the Minister; and preparing public private partnerships policy.

None of the existing bodies have been provided with the power to make determinative decisions regarding infrastructure administration. Rather, in the performance of their functions they are subject to Ministerial control. The only exception is the provision of independent advice in the case of IA. In addition, none of those bodies are subject to oversight by a defined

Infrastructure body roles

Role	Infrastructure NSW (Proposed)	Infrastructure Australia	Infrastructure Ontario	Partnerships Victoria
Advise the Minister	✓	✓	✓	✓
Assist government bodies with project management	✓	X	✓	✓
Audit infrastructure	X	✓	X	X
Evaluate projects to ensure conformity with Govt policy	X	✓	X	✓
Obtain finance	X	X	✓	X
Oversight of infrastructure funding	✓	X	✓	X
Prepare strategic plans	✓	✓	X	X
Produce PPP policy	✓	✓	✓	✓
Project management	✓	X	✓	X
Provide loans for public bodies	X	X	✓	X
Recommend long-term land reservations	✓	X	X	X
Set infrastructure priorities	✓	✓	X	X

parliamentary committee.

IA and IO are both statutory bodies with Ministerially-appointed Boards. The NSW Government has proposed to establish INSW as a statutory body with an Independent Chair. In contrast, PV is a non-statutory executive body operating within a Department.

IA is the only existing body discussed with a strategic planning role. INSW would also have a role of this kind. While IO and PV work within the context of government strategic planning, they do not have a role in making strategic infrastructure policy.

IA, IO and the proposed INSW all play some role in relation to infrastructure funding, albeit quite different in nature. IO has the power to provide loans to other government bodies as well as raise finance through issuing bonds, debentures or other securities. IA only possesses an advisory role in this regard, being provided with the power to advise the Commonwealth Government on the allocation of funding to projects.

The NSW Government has proposed to give INSW oversight of Restart NSW – an infrastructure capital fund. However, as at 23 May 2011, the exact nature of these powers is unknown. In contrast, PV has no explicitly stated funding role. However, its role in advising the Treasurer and other relevant Ministers on PPP projects and policy is likely to include financial advice.

Update Note

The [Infrastructure NSW Bill](#) was introduced on 26 May 2011. The Agreement in Principle speech can be found [here](#). The Bill closely resembles the Coalition's INSW election policy as summarised in this e-brief. In addition

to the roles identified in the above Table, there would seem to be a role for INSW in evaluating infrastructure projects to ensure conformity with Government policy (clause 11(e)). Further, INSW will have a role in auditing infrastructure, that is, by identifying State infrastructure deficiencies for the purpose of developing the 20-year State infrastructure strategy (clause 17(2(b))).

¹ *Australian Financial Review*, Infrastructure neglect may hurt growth, February 21 2011. See also, NSW Parliamentary Research Service, [Key Issues and Regional Profiles for the 55th Parliament](#), Background Paper 2/2011

² NSW Liberals & Nationals, [Restart NSW: An Infrastructure Fund to Fix NSW](#), 2011; NSW Liberals & Nationals, [Infrastructure NSW](#), 2011

³ NSW Government, [100 Day Action Plan](#), 2011

⁴ Engineers Australia, [Infrastructure Report Card 2010](#), [online] 2010

⁵ Note, two further infrastructure administrative roles existed: the Infrastructure Co-ordinator General, with the power to expedite relevant projects funded under the National Building Economic Stimulus Plan; and the Infrastructure Implementation Corporation, established under its own [statute](#) to carry out a major infrastructure project if authorised to do so by a project authorisation order.

⁶ NSW Liberals & Nationals, [Infrastructure NSW](#), 2011

⁷ Note 6

⁸ Note 6

⁹ Note 6

¹⁰ NSW Liberals & Nationals, [Restart NSW – A Fund to Fix NSW](#), 2011

¹¹ The Hon Barry O'Farrell, [Nick Greiner to Chair Infrastructure NSW](#), [media release] 2 May 2011

¹² Note 11

¹³ Infrastructure Partnerships Australia, [Greiner's Appointment Will Help Drive Infrastructure Reform Says Business](#), [media release] 30 April 2011; Engineers Australia, [Infrastructure NSW is the well overdue reform priority](#), [media release] 3 May 2011

- ¹⁴ *Australian Financial Review*, [Greiner defends board roles](#), 3 May 2011; *Sydney Morning Herald*, [Old friends may be too close for comfort](#), 7 May 2011
- ¹⁵ Commonwealth Hansard, [Second Reading Speech](#), 21 February 2008
- ¹⁶ Australian National Audit Office, [Conduct by Infrastructure Australia of the First National Infrastructure Audit and Development of the Infrastructure Priority List](#), Audit Report No.2 2010-11, July 2010
- ¹⁷ Note 16, p23
- ¹⁸ Note 16, p39
- ¹⁹ The Treasury, [2010 Treasury Incoming Government Brief – Overview](#), 2010
- ²⁰ *The Australian*, Commentary: Infrastructure Australia has been all but derailed, 22 February 2011
- ²¹ Liberal Party of Australia, [Infrastructure Reform](#), 14 April 2011
- ²² *Business Spectator*, [Gillard must embrace Infrastructure NSW](#), 19 April 2011; *The Australian*, [Budget 'must deliver' a boost to national productivity](#), 30 April 2011
- ²³ Australian Government, [Budget Paper No. 2](#), May 2011, [online]
- ²⁴ Australian Government, [Budget Paper No. 1](#), May 2011, [online]
- ²⁵ Australian Government, [Budget Overview](#), May 2011, [online]
- ²⁶ Infrastructure Ontario, [Corporate History](#), [online] 2009
- ²⁷ Infrastructure Ontario, [Infrastructure Ontario 2008/09 Annual Report](#), 2009, p14
- ²⁸ Schedule I of the [Budget Measures Act, 2006](#)
- ²⁹ [Explanatory Note, Bill 81, Budget Measures Act, 2006](#), [online]
- ³⁰ Note 29
- ³¹ Infrastructure Ontario, [OIPC Investor Update: Commercial Paper Program Limit Increase](#), June 2009
- ³² Note 27, p14
- ³³ Note 31, p5
- ³⁴ Infrastructure Ontario, [Value for Money and Risk Assessment](#), [online] 20 October 2009
- ³⁵ Note 34
- ³⁶ Auditor's Report, [Ontario Infrastructure Projects Corporation \(Infrastructure Ontario\) Financial Statements](#), March 31 2009
- ³⁷ Note 36
- ³⁸ Note 36
- ³⁹ Infrastructure Ontario, [Current Credit Ratings](#), [online] 8 March 2011
- ⁴⁰ Ministry of Public Infrastructure Renewal, [Building a Better Tomorrow: An Infrastructure Planning, Financing and Procurement Framework for Ontario's Public Sector](#), 2004
- ⁴¹ Note 40, p5
- ⁴² Ministry of Public Infrastructure Renewal, [ReNew Ontario 2005-2010: Strategic Highlights: A five-year infrastructure investment plan to strengthen our economy and our communities](#), 2005
- ⁴³ Infrastructure Ontario, [Current Projects](#), [online] 28 April 2011
- ⁴⁴ Note 27, p12
- ⁴⁵ Legislative Assembly of Ontario, Standing Committee on Government Agencies, [Report on Agencies, Boards and Commissions: Ontario Infrastructure Projects Corporation \(Infrastructure Ontario\)](#), May 2009, p2
- ⁴⁶ Note 45
- ⁴⁷ Ministry of Finance, [Backgrounder: Delivering Better Value for Taxpayers](#), 25 January 2011
- ⁴⁸ Department of Treasury and Finance, [Partnerships Victoria](#), 2000, p1
- ⁴⁹ Note 48, p4
- ⁵⁰ It is planned to discuss the National PPP Policy in greater depth in a future paper on infrastructure funding.
- ⁵¹ Partnerships Victoria, [Partnerships Victoria Statement – February 2009](#), 2009
- ⁵² Department of Treasury and Finance, [Guidance Material – Partnerships Victoria: Overview](#), July 2006
- ⁵³ Partnerships Victoria, [About Partnerships Victoria](#), [online] 30 November 2010
- ⁵⁴ *Partnerships Victoria*, personal communication, 11 May 2011
- ⁵⁵ Note 48, p12
- ⁵⁶ For examples of this legislation, see: Public Accounts and Estimates Committee, [Report on Private Investment in Public Infrastructure](#), October 2006, p77ff
- ⁵⁷ Note 54
- ⁵⁸ See the Partnerships Victoria [website](#) for a full list of projects
- ⁵⁹ Public Accounts and Estimates Committee, [Report on Private Investment in Public Infrastructure](#), October 2006
- ⁶⁰ Note 59, p23ff

Information about Research Publications can be found on the Internet at the [NSW Parliament's Website](#)

Advice on legislation or legal policy issues contained in this paper is provided for use in parliamentary debate and for related parliamentary purposes. This paper is not professional legal opinion.

© 2011

Except to the extent of the uses permitted under the *Copyright Act 1968*, no part of this document may be reproduced or transmitted in any form or by any means including information storage and retrieval systems, without the prior written consent from the Librarian, New South Wales Parliamentary Library, other than by Members of the New South Wales Parliament in the course of their official duties.

ISSN 1838-0204