RECOMMENDATION:

That Council:

1. Approves the attached submission to Infrastructure Australia; and

2. Delegates authority to the Chief Executive Officer in accordance with the Local Government Act 2009 to finalise and lodge the submission and respond to any queries and deal with any other matters arising from it.

EXECUTIVE SUMMARY:

Infrastructure Australia has recently released its Australian Infrastructure Audit for 2019 ('the Audit') and has now invited public submissions on the Audit to provide feedback and ideas for policy reform and project investment.

Council Officers have prepared a draft submission (attached) recommending policy reform in the following areas:

1. Differential thresholds for regionally significant infrastructure problems and projects
2. Differential thresholds/approach for infrastructure problems and projects in Northern Australia
3. User pays/full cost recovery approach for infrastructure projects in regional areas

This report outlines the process adopted in preparing the submission and seeks Council approval for it to be lodged.

BACKGROUND:

Infrastructure Australia is an independent statutory body with a mandate to prioritise and progress nationally significant infrastructure. Infrastructure Australia provides decision makers with advice and guidance on specific infrastructure investments that will underpin Australia's continued prosperity. Infrastructure Australia maintain the Infrastructure Priority List (IPL). The IPL is a prioritised list of nationally significant investments.

Infrastructure Australia has recently released its Australian Infrastructure Audit for 2019 ('the Audit') and has now invited public submissions on the Audit to provide feedback and ideas for policy reform and project investment.
Submissions close on 31 October 2019.

**COMMENT**

It is recommended that Council make a submission to Infrastructure Australia calling for policy reform in the following areas:

1. Differential thresholds for regionally significant infrastructure problems and projects
2. Differential thresholds/approach for infrastructure problems and projects in Northern Australia
3. User pays/full cost recovery approach for infrastructure projects in regional areas

Policy reform in these areas would support future investment in infrastructure in regional areas such as Cairns.

The draft submission is attached.

Council’s Chief Executive Officer emailed Councillors on 10 October 2019 to advise that Council Officers would be preparing a submission for Council’s consideration; outlining the key areas to be covered in the submission and associated timelines; and seeking comments from Councillors on any matters they wished to be considered in preparing the submission.

Council Officers have also sought input and support for the submission from the following organisations:

- Advance Cairns
- Far North Queensland Regional Organisation of Councils (FNQROC)
- Regional Development Australia Far North Queensland and Torres Strait Inc (RDA FNQ and TSI)

All three organisations have indicated their support for the submission with their logos included on the last page of the draft submission attached. Council Officers have also engaged with representatives of LGAQ in relation to the proposed submission and provided them with a copy of the draft. Representatives of LGAQ indicated they would not be making a separate submission but were supportive of the points being raised in Council’s submission.

**OPTIONS:**

Option 1(recommended):

That Council:

1. Approves the attached submission to Infrastructure Australia; and

2. Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to finalise and lodge the submission and respond to any queries and deal with any other matters arising from it.
Option 2:

That Council does not approve the submission to Infrastructure Australia or requests amendments to it.

CONSIDERATIONS:

Risk Management:

Without the policy reform recommended in Council’s submission, there is a risk that critical infrastructure problems and projects in regional areas (such as Cairns) may not receive the appropriate level of attention or focus from Federal and State Governments.

Council Finance and the Local Economy:

Council’s long term financial model is premised on capital expenditure on infrastructure being partially funded through grants from both the Queensland and Australian Governments. The policy reforms recommended in the submission has the potential to increase the visibility of key infrastructure projects in this regard and thereby increase opportunities to secure funding.

Investment in infrastructure also supports the local economy as well as future population and employment growth.

Corporate and Operational Plans:

Infrastructure investment contributes to the delivery of all five strategic goals in Council’s Corporate Plan (Economy, Natural Assets, Liveability, Community and Culture, Serving the Community)

CONSULTATION:

The organisations consulted in the preparation of the draft submission are outlined in the body of this report.

ATTACHMENTS:

Attachment 1: Draft submission to Infrastructure Australia (DM6206151)

Nick Masasso
Executive Project Officer
23 October 2019

The Board of Directors
Infrastructure Australia
Level 21
126 Phillip Street
SYDNEY NSW 2000

Dear Board Members

Submission on the Australian Infrastructure Audit 2019

Infrastructure Australia has recently released its Australian Infrastructure Audit for 2019 (‘the Audit’) and has invited public submissions on the Audit to provide feedback and ideas for policy reform and project investment. We thank Infrastructure Australia for the opportunity to make a submission.

This submission outlines three proposed areas where policy reform is recommended:

1. Differential thresholds for regionally significant infrastructure problems and projects
2. Differential thresholds/approach for infrastructure problems and projects in Northern Australia
3. User pays/full cost recovery approach for infrastructure projects in regional areas

Further details on each of these areas and associated recommendations are set out in the following paragraphs.

1. Differential thresholds for regionally significant infrastructure problems and projects

Population growth in our metropolitan capitals is placing pressure on infrastructure in those cities and there is an opportunity to alleviate these population pressures by supporting growth in regional areas. Key to supporting population growth in regional areas is the investment in infrastructure that not only underpins economic development and employment, but also quality of life for regional communities.

However, for a problem/project to be placed on Infrastructure Australia’s Infrastructure Priority List, it is required to meet the definition of ‘Nationally Significant’. In determining what is Nationally Significant, it is understood that Infrastructure Australia assess the monetised (economic) value of the benefit delivered/cost avoided by implementing an infrastructure project. Infrastructure Australia’s threshold for what constitutes Nationally

ATTACHMENT 1: DRAFT SUBMISSION TO INFRASTRUCTURE AUSTRALIA

ENQUIRIES: Nick Masasso
PHONE: 07 4044 3522
OUR REF: #DM6206151
Significant is when the value of the benefit delivered/cost avoided exceeds $30 million per annum (nominal undiscounted).

This $30 million threshold means that very few regional infrastructure problems/projects make the Infrastructure Priority List generally because of the comparatively lower existing population and economic base in regional areas. Without regional infrastructure priorities being highlighted on the Infrastructure Priority List, there is potential for infrastructure investment to continue to be concentrated in metropolitan cities thereby encouraging further population growth in those cities rather than spreading that growth more broadly throughout Australia’s regions.

**Recommendation**

*It is recommended that a reduced monetary threshold be applied to infrastructure problems/projects located in regional areas in order for such problems/projects to make it onto the Infrastructure Priority List. This will enhance the visibility of regionally significant infrastructure projects thereby improving access to funding and supporting the Federal Government’s objective of population dispersal.*

2. **Differential thresholds/approach for infrastructure problems and projects in Northern Australia**

The Federal Government’s Northern Australia Agenda aims to grow a stronger Northern Australian economy through a long-term agenda of investment and support. A way to facilitate the implementation of this agenda is to ensure Northern Australia infrastructure problems/projects are appropriately highlighted on Infrastructure Australia’s Infrastructure Priority List.

However, the adoption of a uniform $30 million threshold for infrastructure problems/projects (regardless of location) to make the Infrastructure Priority List does not appropriately recognise and support the Northern Australia Agenda as once again, the comparatively lower existing population and economic base in Northern Australia can make it difficult for infrastructure problems/projects in this area to exceed the threshold.

**Recommendation**

*It is recommended that Infrastructure Australia either:*

- **Apply a reduced monetary threshold for Northern Australia infrastructure problems/projects in order for these problems/projects to be included on the Infrastructure Priority List; or**
- **Have a separate ‘Northern Australia Infrastructure Priority List’ for which a lower threshold is applied or where specific weighting/criteria in Infrastructure Australia’s assessment process are included to recognise and support investment in projects located in Northern Australia.**
3. User pays/full cost recovery models for infrastructure projects in regional areas

Infrastructure Australia note in the Audit that ‘User pays funding for infrastructure has widespread support within the community’. Whilst this may be the case, a full user pays approach to the assessment of infrastructure projects in regional areas can result in such projects being considered ‘unviable’ as the cost of such projects spread across a comparatively lower population base may be unaffordable for people living in regional areas.

The proposed Nullinga Dam (a dam to be located on the Walsh River southwest of Mareeba) is an example of a recent infrastructure project of regional significance where the project business case (undertaken by Building Queensland) was premised on a full cost recovery approach over 30 years. This approach contributed to the business case concluding that the project should not proceed despite the significant benefits it delivered to the regional communities for Far North Queensland.

This user pays/full cost recovery methodology has the potential to continue to concentrate infrastructure investment in areas with high existing population bases thereby further contributing to population densification within and around the nation’s metropolitan capitals.

Recommendation

It should be specifically acknowledged that a ‘full cost recovery’/‘full user pays’ approach to infrastructure investment may not be appropriate or achievable for all infrastructure projects located in regional areas. Accordingly, there needs to be flexibility within Infrastructure Australia’s assessment process to recognise this and acknowledge that some level of direct government investment may be required in order to facilitate the delivery of key infrastructure projects in regional areas.

If you have any queries in relation to this matter please contact Nick Masasso on 07 4044 3522 (email: n.masasso@cairns.qld.gov.au).

Yours faithfully

John Andrejic
Chief Executive Officer

This submission also carries the support and endorsement of the following organisations: