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Infrastructure Victoria
Level 34, 121 Exhibition Street
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Dear Sir/Madam

It is our pleasure to submit a response to Infrastructure Victoria's *All Things Considered* paper. It is a document for which Infrastructure Victoria should be commended, with a comprehensive review of the infrastructure options potentially available to and needed by Victorians.

The Committee for Melbourne (Committee) has long had a remit to enhance the future prospects of Melbourne. Founded 30 years ago, the Committee is an apolitical, not-for-profit member network that unites a cross-section of our city's leaders and organisations to work together to enhance Melbourne's economic, social and environmental future.

Our members represent over 120 organisations drawn from the city's major companies, academic institutions and civic organisations across a broad range of industries. We represent no single interest and seek to challenge conventional thinking and develop innovative policy that continues to enhance the 'World's Most Liveable City.'

As part of these endeavours, the Committee established a *Shaping Melbourne Taskforce* in 2010 that produced a [three-volume series](#) investigating Melbourne's challenges and opportunities as the city and its population continue to grow, and which, among other things, recommended the creation of an independent infrastructure entity in Victoria and has subsequently long been a key goal of the Committee for Melbourne. The report series, *Melbourne Beyond 5 Million*¹ informed the Committee's subsequent advocacy efforts for the establishment of an independent infrastructure entity in Victoria (i.e., Infrastructure Victoria). Many of its insights and recommendations are still relevant and instructive for Infrastructure Victoria's current work of identifying and setting the objectives of its first 30-year infrastructure strategy.

¹ Committee for Melbourne, *Melbourne Beyond 5 Million – Volume 3: Physical Infrastructure and Connectivity*, October 2010.

Your first paper *Laying the Foundations*, referred to our state's funding and financing challenges and indicated that future Infrastructure Victoria papers would address this important issue. The Committee agrees that this is a critical challenge in the provision of a solid infrastructure pipeline, and we encourage Infrastructure Victoria to refer to our 2012 paper [Moving Melbourne](#), which examines alternative funding and financing options that could be used to advance Melbourne's future transport needs.

The Committee is encouraged by the approach in *All Things Considered* to structure Infrastructure Victoria's approach to solutions that meet Victoria's longer term needs, i.e. (1) changing behaviour, managing demand, (2) better use of existing assets, and (3) expanding assets or building new ones), as well as how the options were ultimately assessed (i.e. (1) how well does this option meet the need relative to its cost and (2) what is the economic, social and environmental impact of this option?).

Therefore, we have chosen not to comment on the 200+ specific options included in the options paper, but rather to complement Infrastructure Victoria's approach with some themed observations.

Below is a list of the key observations that the Committee's membership base has made with regard to the *All Things Considered* paper:

- **Shaping our future**

A key observation is that the options paper has tailored its options to settled assumptions about current and future circumstances. While it is recognised how much effort Infrastructure Victoria has put into understanding our state's future circumstances – and it is oftentimes a prudent approach – there is also a strong desire among the Committee's membership base to encourage a more pro-active approach to shaping our state's future.

An example of this is the area of 'electrical distribution disruption'. The current model of electrical generation and distribution relies on large scale generators selling their electricity into the National Electricity Market (NEM), where it undergoes transmission and distribution to residential, industrial and commercial premises. However, the take up of localised generation (e.g. solar and wind), as well as recent enhancements in on-site storage, has made it more feasible than ever for 'mums and dads' to generate all their electrical needs locally and detach from the grid.

Recognising this trend, we should look for ways to not only understand the challenges this may pose, but also the potential opportunities that this may bring and find ways to help shape this trend, thereby capitalising on the benefits that first movers may potentially enjoy.

Another example of where the Committee believes we can more actively shape our city's future is Public Transport Victoria's (PTV) 2012 *Network Development Plan*. Notwithstanding the identification of options such as BRG, CLR, MMS, NUM; it is not completely clear to the Committee whether or not PTV's *Network Development Plan* has been either fully or partially embraced by Infrastructure Victoria.

The Committee believes that this *Network Development Plan* has sufficient merit for it be carried through to the next stage of evaluation, especially given PTV's own timeframe for the Plan is in the vicinity 20 years and Infrastructure Victoria's focus in turn is to develop an infrastructure strategy for the next 30 years. In particular, 'Melbourne Metro 2' (MMS), which will serve the unique and once in a generation development opportunity of Fishermans Bend via two rail tunnels, brings to the fore a clear desire to actively shape the future of our city. The age-old observation of 'build it, and they will come' is seen as particularly appropriate in this context.

Further to this, the Victorian Government will soon be releasing its refresh of *Plan Melbourne*, which will reflect, among others things, the government's long-term vision for housing and integrating public transport and infrastructure. In order to optimise the effectiveness of Victoria's approach to its long-term infrastructure development, we encourage Infrastructure Victoria to ensure its 30-year infrastructure strategy is integrated with the ambitions of *Plan Melbourne Refresh*.

- **Better intelligence**

Any strategy, as well as its recurring updates, will rely for its effectiveness on the quality of its information and the assumptions that follow from that information. The inherent longer term nature of our infrastructure decisions means that we have to be comfortable with an appropriate level of uncertainty around societal and technological developments. However, we live in an age that is witnessing the exponential growth of data and governments around the world are increasingly recognising the benefits technology can bring to their communities. As such, in order for us to increase our capacity to recognise 'weak' signals on emerging trends and developments, we need to optimise our collective capabilities around big data analytics, including the capturing, storing and disseminating of (open) data.

As part of its day-to-day activities, the Victorian Government holds, creates and collects a vast amount of high-quality data, which has tremendous potential. There is a key role for government to play in the process of sharing data so that it can be effectively mined and analysed to drive improved decision-making and innovation.

In this respect, it is encouraging to see that the Victorian Government already has a well articulated open data policy through its *DataVic Access Policy*, in which it "recognises the benefits associated with mandating a whole of government approach to the availability of Victorian government data for the public good."

Realising the full potential of (open) data in our decision-making processes will require an agile and proactive policy that continually develops and evolves with time. Under Need 19 ('Improve the resilience of critical infrastructure'), Infrastructure Victoria has put forward a concept, 'Big Data Leveraging' (BDL), which requires further development. We encourage Infrastructure Victoria to further investigate this option and we refer to our July 2014 submission to the Victorian Government on [Victoria's digital economy](#) on optimal policy responses in this respect.

- **Adaptability**

Following on from our observations around improved intelligence to recognise emerging trends and developments, it is encouraging to see that Infrastructure Victoria recognises the importance of our ability to adapt to new service delivery models in its options paper.

However, we note that many of the options identified may still not have the required adaptability to 'future proof' our infrastructure. For example, cultural changes – such as the acceptability of flexible working hours, the online provision of government services, or significant technological developments – mean that there are big gains to be made in our efforts to spread the peak load on our transport infrastructure as well as our state's utilities.

The Committee believes that our collective mindsets need to embrace and embed innovation as a key principle in our approach to infrastructure development. It is important to note that this will not only improve our state's productive capacity – which will be of crucial importance in an increasingly global economic competitive environment – but also has the potential to provide us with an exportable capability.

- **Network redundancy**

The options put forward under Need 19 ('Improve the resilience of critical infrastructure') are well-considered and will go a long way in addressing the resilience of our state's critical infrastructure.

That said, it is not entirely clear to the Committee whether the issue of network redundancy has been fully addressed in the area of transport infrastructure. For example, the existing Monash Freeway, CityLink Tollway & Tunnels and West Gate Bridge provide a much needed and heavily loaded East-West crossing of the Yarra River. Should this facility need to be taken out of service for any reason, there is no existing/planned project option which can provide an alternative route for the passenger and freight vehicles using this corridor. As a consequence, short of duplication of this facility, one (or more) of options such as 'North-East Link' (NEL) or 'Eastern freeway to CityLink connection' (EWE) will inevitably be required sooner or later to cover for an absence of the West Gate Bridge and divert some of its current and future traffic loading.

This therefore increases the importance of such options (NEL, EWE, etc) in any prioritisation approach. Accordingly the Committee encourages Infrastructure Victoria to factor in the needs and benefits of redundancy in the next stage of its analysis as part of developing its short-listed options for the 30-year infrastructure strategy.

- **Options address multiple needs**

As noted by Infrastructure Victoria, many of the options might enable, complement or inhibit one another. This is further recognised and clarified in the supporting technical report by AECOM/PwC², which used the following questions to map the relationships between the options:

² AECOM/PwC, *Options Assessment 2 – Economic, social and environmental assessments and option relationship mapping*, 2016.

- *Complementary relationships*
Would an option provide an even greater contribution (be complementary) if it were packaged with one or more other options?
- *Enabling relationships*
Which options enable others?
- *Dependent relationships*
Does an option depend on any other options proceeding in order to contribute to meeting a need?
- *Either/or relationships*
Would undertaking an option either minimise the need for another option, or make another need redundant?

A recurring challenge in the Committee's work is how to map the interconnectedness between different issues relating to the city's development. Infrastructure Victoria was dealing with a comparable challenge in its grouping of the draft objectives during the previous phase. Similarly, in the current phase, Infrastructure Victoria has provided an overview of how sector-specific options are spread across the different needs.

The observations above confirm the need for innovative thinking around the usage of our infrastructure and how options not only relate to one another, but also often address multiple needs. Clearways provide an example of where the better use of an existing asset can address multiple needs while being interlinked with various options:

- They can free up significant road capacity for motorised vehicles (Needs 1, 7, 10, 11, 13 and 19); and
- Given that Melbourne's trams share approx. 80 per cent of its network with roads, the speed, capacity and reliability of the tram network is significantly impacted by parked cars along the roads of its network (Needs 1, 7, 10, 11, 13, 18 and 19).

As noted in the options paper, the creation of clearways do have potential implications for traders in strip-shopping centres along transport corridors, which will need to be considered as part of the assessment process.

It is clear that many aspects of our infrastructure approach are interconnected and, as such, we are encouraged by the recognition of this in Infrastructure Victoria's assessment process and we strongly support the comprehensive use of relationship mapping to be included and reflected in the next phase of Infrastructure Victoria's assessments.

- **Short and long-term needs**

In addition to Infrastructure Victoria's work thus far, the Committee sees benefit in categorising the recommended options into two timeframe categories as part of Infrastructure Victoria's next report (*Draft Strategy*), namely:

- Short Term – e.g. to service a population of 5 million and focussed on responding to current shortfalls and backlogs
- Long Term – e.g. to service a population of 8 million and hence dealing more with anticipated future needs.

- **Energy sector**

The needs are generally well crafted; however, the Committee feels that the energy sector (ref. Need 18 – 'Transition to Lower Carbon Energy Supply and Use') would benefit from broader consideration. This could be achieved by focusing on the affordability – particularly energy prices for consumers and subsidies required from governments – of both the Need itself and the identified short-listed options in the report. Commercial scale solar panels could also be considered as part of this broader assessment.

- **Funding & financing: 'fund-build-sell' capability**

Further to the previously referred to 2012 [Moving Melbourne](#) paper, there may be value in looking at project assessment processes to consider a project's future sale potential – and return on investment – as part of a 'fund-build-sell' model. The current low interest rate environment means that the government should be considering its ability to borrow to fund productivity enhancing infrastructure with a high degree of sale potential and putting the project to market once completed.

This has a number of potential advantages over the current Public Private Partnership (PPP) process, including:

- Public sector borrowing costs are lower than in the private sector, meaning that the cost of capital for project delivery should be lower.
- There are a number of investors looking for low-risk infrastructure to invest in (such as roads). The project selection process could prioritise these projects for this model of delivery where the potential for equivalent, or greater return on investment, can be achieved.
- Government can put the asset to market in a transaction process and should see greater interest and return as the delivery risk (and short term performance) for the asset has been addressed.
- PPP procurement costs for industry and government can in certain instances be lengthy and expensive and would be mitigated through the 'fund-build-sell' process.
- Projects can be developed and delivered knowing they will be sold, which allows us to optimise the documentation and delivery process for a transaction process.
- Long-term balance sheet investment can be directed towards projects less suited to a sale process.

In conclusion

The Committee is encouraged by Infrastructure Victoria's efforts to date and the positive signal that the call for contributions sends to the public. Engaging the community in this important debate is of vital importance and the Committee for Melbourne will continue to be at the forefront of this debate and is eager to work with Infrastructure Victoria, government, as well as our community leaders, to safeguard our bright future.

Please do not hesitate to contact the Committee to expand on any of the points touched on in this submission.

Regards

A handwritten signature in black ink, appearing to be 'ML', with a long horizontal line extending to the right.

Martine Letts
Chief Executive Officer
Committee for Melbourne