



The Hon Michael McCormack MP

Deputy Prime Minister
Minister for Infrastructure, Transport and Regional Development
Leader of The Nationals
Federal Member for Riverina

Ref: MS20-002043

20 DEC 2020

Ms Julieanne Alroe
Chair
Infrastructure Australia
GPO Box 5417
SYDNEY NSW 2001

Julieanne
Dear Ms Alroe

I am writing to provide a revision to the recently updated Statement of Expectations (SoE) which outlines the Australian Government's expectations in relation to the organisation, its operations and performance.

The SoE has been amended to reflect the National Cabinet decision that Infrastructure Australia will now evaluate project proposals which require more than \$250 million in Commonwealth funding, with effect from 1 January 2021. This change will allow IA to focus on the key projects to help rebuild our economy and support jobs into the future.

Please provide an updated Statement of Intent by 31 January 2021.

If you have any questions regarding the revision please contact Mr David Hallinan, Deputy Secretary Infrastructure and Surface Transport, on 02 6274 7302.

Yours sincerely

Michael McCormack

Enc

cc Ms Romilly Madew AO, Chief Executive Officer, Infrastructure Australia
Mr Simon Atkinson, Secretary, Department of Infrastructure, Transport, Regional Development and Communications

STATEMENT OF EXPECTATIONS – INFRASTRUCTURE AUSTRALIA

This Statement outlines the Australian Government's (the Government) expectations about the role and responsibilities of Infrastructure Australia (IA), its relationship with the Government and operational matters. It replaces all previous statements provided to IA and will be updated as required to reflect future decisions by the Government.

The Government expects that IA efficiently and effectively perform its statutory functions to deliver high quality independent advice on Australia's requirements for nationally significant infrastructure. The Government expects IA to take into account its broad policy objectives in relation to infrastructure nationally in performing its role.

This Statement reflects the governance and performance requirements specified in the *Infrastructure Australia Act 2008*.

THE GOVERNMENT'S INFRASTRUCTURE POLICY PRIORITIES

The Government's infrastructure priorities will vary between sectors, and over time. However, across all sectors the Government recognises that infrastructure:

- provides, or underpins services that deliver economic and social benefits to Australians;
- has an important role in shaping cities that are productive and liveable; and
- provides connectivity to regional and remote parts of Australia.

Through the 10 year rolling pipeline the Government is investing \$110 billion over ten years from 2020-2021 in land transport infrastructure. The Government expects that IA will help facilitate delivery of the pipeline of nationally significant projects by ensuring its processes are efficient and allow projects to progress as quickly as possible.

RELATIONSHIP BETWEEN IA AND THE GOVERNMENT

The Government recognises and values the role of IA. IA is uniquely positioned to contribute to the efforts of all levels of government to build a strong and prosperous economy by providing robust, independent and evidence based advice on nationally significant projects.

RELATIONSHIP WITH THE RESPONSIBLE MINISTER

IA has an important role in identifying the productivity enhancing infrastructure needed to meet future demands. Accurate and timely advice is essential to ensure that IA's advice can form part of the Government's decision making around infrastructure investment matters. While IA has a broad infrastructure remit, it is accountable to a responsible Minister, currently the Minister for Infrastructure, Transport and Regional Development.

IA should therefore keep the responsible Minister, and other relevant Ministers in the Infrastructure portfolio, informed of significant actions in relation to IA's role, and alert the Government to events or issues that may impact on the operations of IA, including important operational or budgetary issues. IA should also provide the responsible Minister with quarterly reports on progress against this Statement.

RELATIONSHIP WITH THE DEPARTMENT OF INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND COMMUNICATIONS

A key role of the Department of Infrastructure, Transport, Regional Development and Communications (the Department) is to provide advice to Infrastructure portfolio Ministers in relation to transport infrastructure, regional development and communications.

The Government expects that IA and the Department maintain a close relationship, and that the Department takes into account the work and views of IA when developing its policy advice.

To facilitate this, information provided to the responsible Minister and Infrastructure portfolio Ministers by IA, and advance copies of reports and publications intended for public release, should also be provided to the Secretary of the Department.

CORE FUNCTIONS

IA plays an essential role in establishing an evidence base to assist government when making major infrastructure investment decisions by identifying gaps in Australia's infrastructure and regularly updating the Infrastructure Priority List based on robust analysis and strategic long term planning of nationally significant infrastructure proposals.

The Government expects the IA Board to:

- ensure IA operates in accordance with the Government's intended and publicly stated commitments in regard to its functions;
- provide robust and independent advice to government on nationally significant infrastructure, across relevant sectors, taking into consideration the Government's infrastructure priorities;
- consider the Government's infrastructure priorities when developing its policy program; and
- consult and establish productive working relationships with key infrastructure stakeholders, including all levels of government (Commonwealth, state, territory and local governments) and other relevant bodies and organisations, including state infrastructure advisory bodies and industry.

The Government expects IA to deliver the following products as part of its core role:

- *Australian Infrastructure Audit* (the Audit) – the Audit should identify and measure gaps in Australia's infrastructure, including current gaps and gaps expected to emerge as projected future demand exceeds available capacity, and identify opportunities to support economic growth, and improve the user experience through better use of existing infrastructure and strategic investment in additional capacity. The Government expects the Audit to be refreshed on a five year cycle following the availability of updated Census data.
- *Australian Infrastructure Plan* (the Plan) – develop recommendations to address gaps in nationally significant infrastructure, support governments in the implementation of recommendations from the Plan and provide input into key infrastructure reform initiatives announced through the Australian Government's response to the Plan. The Plan should take into account any feedback received on the Audit, including through a formal consultation process. The advice provided should be forward thinking, relevant and practical, and take into account the range of possible future developments. The Government expects the Plan to be refreshed no later than two years after the completion of each Audit.
- *Infrastructure Priority List* (IPL) – maintain the list of nationally significant infrastructure proposals, including a future pipeline of projects expected to contribute to national productivity or be otherwise socially beneficial. Proposals to be included in the list should be based on assessed merit. The Government expects that the IPL will be updated regularly as required and, at a minimum, annually.
- *Evaluate project proposals* that are nationally significant or where Commonwealth funding of \$250 million or more is sought. IA is expected to evaluate proposals and publish its findings in a timely manner, prioritising assessments where failure to do so would result in delays to project delivery. Recognising IA's role to provide advice to

governments to inform future infrastructure priorities, the Government's focus for IA is to perform evaluations of projects where Commonwealth funding has yet to be committed. Evaluations should consider whether the strategic objectives of the project, such as improved productivity and liveability of cities, or connecting regional and remote areas, contribute to the benefits of the proposal. IA must approve and publish a methodology or methodologies that enable proposals to be compared and this should allow flexibility to consider the alignment of the project objectives with the policy objectives of the Government, and take into account the materiality or significance of the project.

- *Monitoring of infrastructure construction conditions and capacity* – lead the development of an annual analytical assessment of infrastructure market conditions and capacity in accordance with the tasking agreed by the Council of Australian Governments at their March 2020 meeting. IA should collaborate with relevant state, territory and industry bodies in both developing and maintaining the data series.

PRIORITIES

In addition to the core functions noted above, the Government expects IA to:

- work with the Department to develop a framework to undertake post-completion reviews for nationally significant projects 3-5 years after the completion of a project to determine whether the expected benefits have been, or are likely to be, realised;
- ensure that appropriate and robust frameworks are in place to consider proposals for major city shaping projects, and projects in regional, remote and Northern Australia, where strategic benefits or ability to meet social policy objectives may outweigh the pure economic benefits;
- work with other infrastructure bodies to streamline and harmonise assessment processes, to enable infrastructure proposal assessments to take place in an efficient and timely manner; and
- ensure that these processes support the implementation of the Government's 10 year rolling infrastructure pipeline.

TRANSPARENCY, ACCOUNTABILITY AND OPERATIONAL ISSUES

IA is accountable to the Parliament and the public through the Responsible Minister, Parliamentary Committee processes and the tabling of IA's annual report. IA must comply with all relevant legislation and administrative policies.

Wherever possible, IA should publish its findings and the underlying data or other evidence for those findings. Where IA cannot publish material for commercial or other reasons, it should document and make available those reasons.

IA is to prepare corporate plans on an annual basis with regard to the requirements specified under Section 39B of the *Infrastructure Australia Act 2008* and Section 35 of the *Public Governance, Performance and Accountability Act 2013*.