

**THE PRODUCTIVITY COMMISSION (PC) INQUIRY AND REPORT ON PUBLIC INFRASTRUCTURE IS A GOOD EXAMPLE OF A CURATE'S EGG:**

**SUBMISSION TO PUBLIC HEARINGS ON PUBLIC INFRASTRUCTURE WITH PARTICULAR REGARD FOR THE PC DRAFT RECOMMENDATION ON 'RECOGNITION' AND 'PROVISIONAL ACCREDITATION' (PC Draft Rec. 14.1)**

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**Address relationships between large and small businesses better in regional planning and related quality management**

This submission responds generally and broadly to the Treasurer's establishment of the Productivity Commission (PC) inquiry into ways to encourage private financing and funding for major infrastructure projects, including issues relating to the high cost and the long lead times associated with these projects. It offers: *'ways to improve decision-making and implementation processes to facilitate a reduction in the costs of public infrastructure projects'* by focus on housing management, construction, insurance, energy, communication and other services addressed attached. The discussion shows that large and small business arrangements should not be severed further but instead more openly related in regional planning for quality management.

More specifically this submission treats **PC Draft Recommendation 14.1** below in order to suggest a stronger focus on the French and Canadian experience of government and related business partnerships, which may be mutually rewarding to any more open regional partnerships and beyond. PC Recommendation 14.1 is unfair and unhelpful to any effective planning. The French appear to experience similar problems of unfair career and job closure, when more open performance is required and made possible for the first time through new communications technology and services. The potential for servicing people locally and remotely in English is Australia's strength. Translation services are vitally related to mutual understanding. In education, new technology and a new South American Pope have again raised the potential of liberation theology and the related ideas of Ivan Illich and Paulo Freire.

PC Draft Rec. 14.1 is: **The current Review of the Australian Government Building and Construction OHS Accreditation Scheme should examine options such as 'recognition' and 'provisional accreditation', with a view to the implementation of measures to improve access to Commonwealth-funded projects for firms not presently operating in Australia.** (This neglects many Australian interests.)

In its earlier issues paper on Public Infrastructure, the PC asks: *What principles should guide the consideration of the most efficient model for delivery and operation*

*of public infrastructure (by the public or private sectors)?* Rest assured they are not those found in Draft Recommendation 14.1, which appears to discriminate unfairly against small businesses, consumers and related others now operating in Australia.

The recommendation appears to deny the Australian small business person or volunteer rights to practice which nevertheless appear extended to 'firms not presently operating in Australia'. This recommendation appears to penalise any who are unaffiliated or who have learned through experience, but appear well prepared to demonstrate their expertise against others hiding behind certificates, as in my case. It is a recommendation which hinders rather than helps local development.

Bring on millions of Chinese. (Just kidding.) See French experience discussed below which privileges state workers against outsiders. This is not meritocratic and denies provision of an open and performance based judgment context. It may also unrealistically privilege a person who put money and time into gaining a certificate, however they may have done it. (The production point lies mainly in performance rather than in the professional theory. Academics and many others find this difficult because their careers are based on theoretically driven occupational closure.)

The protection of the public is highly related to the demonstration of competence in practice. In the holistic international and related regional planning context designed for greater fairness and learning for all, one ideally sees and treats expertise openly in practice and in regard to the general desire for a 'fair go all round'. The latter is an expression I first heard from Gary Bracks at the Chamber. The 'fair go' is ideally not just for producers and their mates. I guess the surgeon, Brian Owler, who recently pointed out the performance differences between a questionnaire response and the driving behaviour ending in road crashes on SBS TV, should also agree with this. Contracts are addressed in related quality management contexts later and attached.

The submission to the PC from the French Embassy on 'Government-pay PPP arrangements' is interesting as it appears clearer and thus more useful for consideration than the apparently confusing and overlapping contract category descriptions offered briefly by the PC and entitled Design Build Operate (DBO), Build Own Operate Transfer (BOOT); Build Own Operate (BOO); Lease Own Operate (LOO) and Concession. (Should one look forward to a Leader of the Opposition (LOO) operating a LOO and Concessions? God knows - perhaps.)

Anyhow, on more familiar ground, the French Embassy states:

*Government-pay PPPs are arrangements which entitles a public procuring authority to grant to a private partner a global mission to design (fully or partly), build, maintain, operate and finance public assets and public services over the long-term against a payment made by the public sector and spread through time. More precisely, government-pay PPPs are characterized by at least three elements: (i) the*

*construction or refurbishment/transformation of an asset, (ii) the maintenance, and/or operation of the asset and (iii) all or part of the financing of the asset. In such PPP contracts, payments from the public sector to the private partner are subject to the compliance of performance requirements (respect of deadlines and costs, availability and quality of services KPI, environmental provisions, etc.) mentioned explicitly in the contract. In government-pay PPPs, the public service (e.g. health, teaching) is still provided by the public sector.*

French 'Government-pay PPP arrangements' are apparently to be made over the long term against a payment made by the public sector and spread through time. This approach appears to lend itself to the Australian quality management and related insurance approaches recommended in housing and related services attached. However, from quality management perspectives one wonders why 'the public services (e.g. health, teaching)' must be provided in the public sector. This is unfairly restrictive and may be highly counter-productive if one is seeking greener development. Related regional management discussions are below and attached. Critique of the Clean Energy Council view on decentralised energy is included.

Earlier, in its issues paper on public infrastructure, the PC asked: ***Does the proposed definition of public infrastructure capture all forms of infrastructure that should be considered by this inquiry?*** The answer is yes.

The PC states: *Defining 'public' infrastructure is challenging, but the essential elements are that it encompasses infrastructure where government has a primary role and responsibility for deciding on whether infrastructure is provided, and/or the source of the revenue streams to pay for the infrastructure.*

What makes the above PC definition great is that it exists; it appears holistic and true because Government has key influence over all construction and use of product on land and sea. This interest is currently exercised through outdated and narrowly prescriptive law, rather than in planning principles which recognize that regional interests are ideally contained within the global interest in quality of life for all.

In Australian society, government is (ideally and usually also in practice) the key arbiter of standards of behaviour, ideally chosen in the public interest, which ideally includes protection of the interests (choices) of future generations. In regional planning contexts the PC definition provides a comparatively broad, holistic and clear standard against which practice may be judged in any arena. Courts, on the other hand, traditionally abhor definitions and so reject more scientific or democratic ways. The introduction of newspapers, radio, TV, film, video, the internet, etc. allow more people to find out and to hold government to account. This is vital for democracy and Australian communications have great potential for broadly democratic use and profit through increasing associations with a wide range of communities in Australia.

The attached discussion of more affordable housing options and greater, cheaper, financial security for all through more openly related regional planning, also addresses power and construction costs, as required by the PC terms of reference. A related approach to the Church is attached. This is ideally addressed in contexts laid down by PC and other inquiries such as the Foreign Affairs, Defence and Trade Committee inquiry into Australia's Overseas Aid and Development Assistance Program. The attached also refers to the Independent Review of Aid Effectiveness held by the last government. It was pointed out to the review that no-one can evaluate the outcomes of expenditure against the aims of its provision in the absence of clear and reliable information about what aid money was spent on. A project and data driven approach is put below to harmonize and reflect diverse regional interests, whatever community, organization or individual expresses them.

The PC seeks views on '***the best set of institutional arrangements to undertake its proposed benchmarking initiative, including roles that existing agencies might play (such as Infrastructure Australia, the Bureau of Infrastructure, Transport and Regional Economics, and the Australian Bureau of Statistics)***'. These and related sources of data are ideally constructed in many related regional, quality management and data driven contexts. These ideally may rely on openly spoken and written words and pictures as well as numbers - in theoretical and real worlds not driven only by price.

For more security and more affordable housing, any services related to land, housing, construction and related insurance and fund management require regionally planned and competitive approaches to development. This is also dependant on effective data development, gathering and use. These quality management issues are discussed attached in international, national and related regions. For developing project and service management direction it is recommended:

1. ***Understand the pioneering objectives, design and power of Australian workers compensation, health care, and superannuation service models to deliver more affordable housing and other plans better***
2. ***Take planned regional development and place based routes to land and housing insurance and superannuation planning for fund stability, effective competition and reduced housing cost.***
3. ***Develop jointly owned state and community funds which call for competitive services to the place in the interests of key stakeholders and the broader public, so many service providers and advanced manufacturers may flourish.***

**4. Democratic inclusion is required which depends on open fund operation as secrecy is the same as ignorance for everybody else. (Then they may hate and call you corrupt.)**

Australians should adopt related international and regional directions for place-based service delivery and competition which may also drive manufacturing. 'Sustainable Sydney 2030, for example, is a plan produced as a result of consultation since 2004 which involves *'the full range of economic, social and environmental issues confronting us'*. Implementation requires actors working more openly together, using competition to achieve common and individual goals more broadly. From any ideal regional perspective the proof of the human pudding is ideally in its eating, not in its certification, especially if it seems the latter may discriminate against better performers or particular taste unnecessarily. Quality management relates also to ideas of fairness which have been historically constructed whether we like it or not.

Lord Mayor Clover Moore recently discussed the Vancouver Agreement (VA) with colleagues. This was an agreement among three levels of Canadian government to support local community solutions to economic, social, health and safety issues. It was guided by the principles of coordination, innovation, policy change, investment and monitoring and evaluation. Four strategic initiatives framed its actions: Economic Revitalisation; Safety and Security; Housing; Health and Quality of Life. This superficially appears a good direction. It's over? Tell us more. The VA also appears to lend itself to more openly shared project management at the local level, which drives jobs. Risk is ideally discussed in related insurance contexts which are better engaged with more grounded reality as a way of providing more useful jobs in more stable environments where practices are ideally more easily variable as required to meet specific circumstances. Relieve us of our local ignorance.

One wonders if the contract benefits of quality management, as shown, for example, in the pamphlet '**Using the NSW Office of Fair Trading Home Building Contract**', may be applicable more broadly as a model practical guide to quality management of key projects. The design of the strata housing scheme is opaque but may be instructive in a related manner. The NSW Fair Trading pamphlet dated November 2013 entitled: 'Responsibilities of the owners' corporation in a strata scheme', states the insurances the scheme should now have are: **Building insurance; Public liability insurance; workers' compensation insurance; Voluntary workers insurance**. This appears to be a new and good development for regional planning and quality management of projects. The insurances apparently required prior to this were: **building; common contents; loss of rent; legal liability; personal accident; fidelity guarantee; office bearers and catastrophe insurance**. How will this apparent key change in insurance design be carried forward?

The Inquiry into Construction Industry Insolvency in NSW drew potentially related attention to the suggestion of Craigs Coastal Landscaping Pty. Ltd. in Wollongong, for a proposed construction industry trust:

- The developer or owner has to have the funding for the project approved and money should be set aside in a trust

- A percentage amount for variations should be part of the trust arrangement
- As the builder makes claims, the owner and developer verifies that the work has been done and that payment to subcontractors and suppliers has been made before the next payment is made

The above may ideally be part of the structure supported by openly shared regional investment funds and related project management, to which further work, education, audit (checking) and certification may be attached, as part of the contract and settlement process, to gain quality management of projects and better outcomes for all those who have an interest in them. Research is often done as one goes along.

Take related open approaches to teaching and learning on the job, supported by open curriculum content for key skills development and related education, identified in key industry and regional settings. Use cameras, videos, TV, radio or related media. The SBS Charter and Code of Practice provides great guidance to all. Discussion is attached. See related information on greener and more affordable community development directions at [www.Carolodonnell.com.au](http://www.Carolodonnell.com.au)

To help a simple financial understanding the following PC distinctions seem useful. They claim construction costs of infrastructure projects broadly comprise five categories:

- *land costs* — large areas of land (including corridors) are often required to provide infrastructure (for infrastructure currently provided, future needs and environmental buffers)
- *labour costs* — wages paid to directly employed construction workers and specialised labour (such as engineers and quantity surveyors)
- *the costs of physical capital* — equipment and other capital used in construction (such as cranes, earth moving equipment, tunnel boring machines and dredges)<sup>1</sup>
- *intermediate inputs* — the costs of materials purchased (such as concrete, aluminium, steel and metal fabricated products) and services from other sectors (such as insurance and payroll services)

The PC issues paper states: *Funding may be considered as the revenue-raising sources and streams to pay for the costs of the project over its life, such as from government (taxpayers) or user charges. Financing may be considered as the sources, such as capital grants, debt and equity instruments, used to pay for the upfront investment costs of the infrastructure.* (Is this distinction useful? I've no idea.)

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<sup>1</sup> ABS measures of gross fixed capital formation used to determine the price of physical capital the value excludes the cost of land and repair and maintenance activity, as well as the value of any transfers of existing assets.

The PC also states that it is useful to differentiate between two facets of costs:

- *trends* in costs
- the *levels* of costs. Even if costs were not rising, costs may nevertheless be far from efficient levels. (This seems hard to deny.)

However, the ideally related article on public infrastructure by David Green, CEO of the Clean Energy Council, entitled '**Centralised to decentralised energy: What does it mean**'? is seriously flawed, as discussed attached. He should not, against all evidence, assume key power resources controlled by government got that way as a result of theoretical market operations. Why did he do it? NSW was established as a penal colony and grew from state logic and support. Do not pretend this is the US. This often leads to confusion, lies and expensive rubbish, followed by another crisis.

Decentralised sources of power generation and related competition are ideally constructed in more clearly and openly related regional contexts of planning and safety. One asks, for example: How does Green assess risk? *When Green states the Victorian market is 'fully liberalised' what does this mean? How do the fund management relationships serve the people? How is risk conceptualised and treated in relation to health and protection?* Power is vital public infrastructure. Tell us.

In this regional context the aims of government ideally appear to involve safer competition to serve broader and more diverse communities. One therefore also asks Green: **How will the vertical integration he proposes allow companies to offset their risk? How will this be expected to relate to government, 'gentraders' (integrated generators and retailers), miners, key funds and related communities?** The regional approach ideally demands related institutional analysis.

**What kind of 'different ownership model' does Green propose and how does it relate to a Renewable Energy Target and the Large Scale Generation Certificates which the article deems a 'risk' (italics in the original). How is this industry constructed already? Does anybody know what is going on?** My primary interest springs from all the shit and rubbish which seems so badly treated.

Thank you for the opportunity to make this submission. Yours truly

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