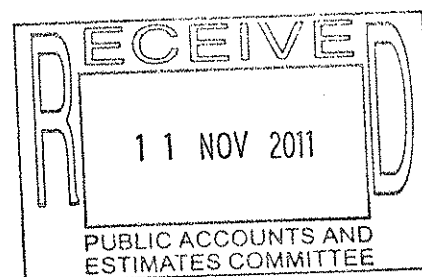


**Macquarie Capital (Australia) Limited**  
ABN 79 123 199 548  
AFS Licence No. 314416  
A Member of the Macquarie Group of Companies

Level 23  
101 Collins Street  
MELBOURNE VIC 3000  
PO Box 5435CC  
MELBOURNE VIC 3001  
AUSTRALIA

Telephone +61 3 9635 8079  
Fax +61 3 9635 9635  
Internet www.macquarie.com.au



Public Accounts and Estimates Committee

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Executive Officer  
Public Accounts and Estimates Committee  
Parliament House  
Spring Street  
East Melbourne 3002



***INQUIRY INTO EFFECTIVE DECISION MAKING FOR THE SUCCESSFUL DELIVERY OF SIGNIFICANT INFRASTRUCTURE PROJECTS***

**1. The competencies and skills that public sector managers require for the effective evaluation, decision making and oversight of significant infrastructure process and protection of the public interest.**

It is of paramount importance that public sector managers possess the requisite skills and competencies to successfully deliver significant infrastructure projects. These skills and competencies must merge knowledge from the private sector and public sector to ensure a complete and holistic approach is achieved.

The key skills and competencies required include, but are not limited to the following:

- Experience in infrastructure delivery from both a public and private sector perspective;
- Clear understanding of the public's needs and interests, particularly those that are being addressed by the specific infrastructure being delivered;
- Strong understanding of the various infrastructure procurement processes and models;
- Long term view to ensure protection of the public's interest – which requires a certain degree of independence from the relevant Government;
- Range of skills and understanding, spanning:
  - Construction
  - Operations
  - Finance markets
  - Risk allocation
  - Probity and integrity
- Executive power over commercial decisions as Government departmental approval can slow and disrupt the process. For major projects, this clearly requires delegation of authority within a clearly defined framework, budget and in accordance with the well defined business case; and

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- Adequate and competent resourcing for projects.

**2. The extent to which Government policies such as the National Public Private Partnership Policy and Guidelines and the Partnership Victoria Requirements specify these requisite competencies and skills and support the Department and Treasury Finance's application of these across the public sector.**

As outlined above, the requisite skills and competencies of public sector managers are a critical factor in the successful delivery of major infrastructure projects. While Government policies such as the National PPP Policy and Guidelines and the Partnership Victoria Requirements define the broad commercial framework by which infrastructure projects should be delivered and the criteria on which such projects should be evaluated, ultimately it is not the role of such policies or guidelines to dictate the skills and competencies of public sector managers.

Public sector managers' skills and competencies need to be defined, determined and implemented by the Government delivery entity. These decisions need to be on a project by project basis to ensure that the most qualified managers are engaged. In parallel, Government needs to be monitoring available and suitable delivery resources to match the overarching pipeline across the various departments. Major Project Victoria or Partnerships Victoria would be a suitable custodian of this process.

**3. Strategies in place within the public sector for the development of such requisite competencies and skills and for their ongoing refinement and enhancement through knowledge-building from the sharing of best practice examples and guidance in the public sector.**

The establishment of specialist policies or teams such as Partnerships Victoria and bodies such as Infrastructure Australia have provided an effective centralisation and collection of knowledge. These teams are best placed to distribute this knowledge, educating and developing the necessary skills and competencies of public sector managers. It is important that this information is refined and updated through interaction between public sector managers, the private sector and bodies such as Infrastructure Australia.

It is also important for public sector managers to have a global view and to be exposed to best practice examples around the world. One such strategy involves international road show tours prior to the bid phase of a project, providing public sector managers real and practical examples of what is being delivered, leading to more effective decision making and evaluation of tenders.

**4. Whether particular significant infrastructure projects have been developed and implemented in a manner which aligns with the public interest and maximises transparency and accountability for the life-cycle of the project.**

It is absolutely clear that infrastructure projects are being delivered with the public's interest being the number one factor. Governments and their representatives have consistently pushed to achieve maximum value for the public sector, both during the construction phase and over the life of the project. This public interest factor has led the development of various procurement methods, with Public Private Partnerships ("PPP") delivering the greatest value.

PPP's have delivered a significant number of crucial infrastructure assets over the last decade. Throughout this period the structure and framework has been modified and updated to reflect the required transparency and accountability, while all the time delivering value for money.

What is ambiguous is the selection criteria for infrastructure projects and whether the choice of projects to be developed has been selected on the basis of maximum public benefit or for other political reasons. In order to create transparency and accountability for

the selection of infrastructure projects the Government should adopt a process in which an overarching plan prioritises projects on a most critical basis, similar to the structure of Infrastructure Australia.

**5. Relevant infrastructure delivery strategies and practises, including in public private partnerships, in relation to enhancing public sector expertise in place in other Australian jurisdictions and relevant jurisdictions outside Australia.**

There is strong infrastructure delivery expertise within the respective Australian Governments, with particular strength in the Victorian State Government. However, it is not common practice for the resources and capabilities to be shared within Governments, resulting in a concentration of knowledge within one or two particular sectors. For example, there is strong expertise in PPPs for transport and health related infrastructure but the expertise is not as strong in the custodial and education sectors.

At present there are adequate resources for the delivery of PPP projects in Victoria. However, given the strong pipeline of projects (East West Link, Melbourne Metro) it is likely a shortage will occur towards the end of 2012. As a result, it would be worthwhile considering the matching of leadership, commercial, technical and financial resources against the required pipeline.

Given the private sector works across all jurisdictions within Australia one possible solution to deepen the resource pool may be to actively pursue secondments from the public sector into the private sector leading up to this high demand period in late 2012. This would result in a strengthening of the overall knowledge base of the public sector.

**6. The merits of centralisation versus decentralisation of available skilled experts in the Victorian public sector during the life-cycle stages of public-private partnership projects, including considering any benefits that may be derived from greater flexibility to contract specialist services from external sources.**

The framework of PPPs is such that they should require significantly less management during over the life of the project than traditional forms of procurement. Government skills and competencies should predominately lie in the delivery of projects.

However, centralisation itself may not be the solution as the individual departments still require to be actively involved with the management of (in particular the technical aspects of) the projects.

There is no reason why commercial aspect of the projects cannot be managed centrally.

If you would like to discuss any element of our response if further detail please do not hesitate to contact us.

Yours faithfully  
Macquarie Capital (Australia) Limited



**Jim Miller**  
Executive Director  
Macquarie Capital



**Adam Nancarrow**  
Associate Director  
Macquarie Capital