

## **Administration of Commuter Car Park Projects within the Urban Congestion Fund**

Department of Infrastructure, Transport, Regional Development and  
Communications

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Canberra ACT  
28 June 2021

Dear Mr President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Infrastructure, Transport, Regional Development and Communications. The report is titled *Administration of Commuter Car Park Projects within the Urban Congestion Fund*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Grant Hehir  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Audit snapshot

## Auditor-General Report No.47 2020–21

### *Administration of Commuter Car Park Projects within the Urban Congestion Fund*



#### Why did we do this audit?

- ▶ An audit of a component of the Urban Congestion Fund (UCF) was undertaken as part of the ANAO's coverage of funding programs and to address Parliamentary interest.



#### Key facts

- ▶ The UCF was established in the 2018–19 Budget. Over time, the UCF has increased from \$1 billion to \$4.8 billion in funding. The \$660 million National Commuter Car Park Fund is a component of the UCF.
- ▶ By 31 March 2021, the Australian Government had identified and selected 44 commuter car park projects for funding commitment covering 47 identified sites.
- ▶ To inform the subsequent award of funding, the department had assessed proposals for the initial scoping/development stages of 23 of these sites and for the full delivery (including construction) of a further 10 sites. A total of \$122 million in funding was recommended and awarded.
- ▶ Significant further assessment work is required given proposals for the construction stage of less than a quarter of announced projects had been received and less than a fifth of the funding committed had been awarded.



#### What did we find?

- ▶ The Department of Infrastructure's administration of the commuter car park projects within the UCF was not effective.
- ▶ The design and implementation of the UCF relied on existing arrangements generic to infrastructure investment projects whereas some customisation was warranted.
- ▶ The approach taken to identifying and selecting commuter car park projects for funding commitment was limited in coverage and was not demonstrably merit-based.
- ▶ The assessment work underlying the department's advice to award funding to the selected projects was not to an appropriate standard.
- ▶ By 31 March 2021, construction had been completed at two of the 47 sites and had commenced at a further three sites.



#### What did we recommend?

- ▶ The Auditor-General made six recommendations addressing program design, record keeping, assessment of funding proposals and the establishment of delivery and payment milestones.
- ▶ The Department of Infrastructure agreed to all recommendations.

0%

of the 47 project sites selected for funding commitment were proposed by the department

64%

of the 47 project sites were located in Melbourne

11%

of the 47 project sites had commenced construction by 31 March 2021

# Summary and recommendations

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## Background

1. The Urban Congestion Fund (UCF) was established in the 2018–19 Budget. The stated objective of the UCF was to 'support projects to remediate pinch points, improve traffic safety and increase network efficiency for commuter and freight movements in urban areas'. Total funding for the UCF has grown from \$1 billion to \$4.8 billion as at 31 March 2021. The \$660 million National Commuter Car Park Fund is a component of the UCF.
2. The *National Land Transport Act 2014* (NLT Act) provides 'for the funding of projects related to land transport matters, and for related purposes'. The UCF was established as a sub-program of the Infrastructure Investment Program and UCF projects are funded as 'Investment Projects' under Part 3 of the NLT Act. Projects funded under the NLT Act are governed by the National Partnership Agreement on Land Transport Infrastructure Projects.
3. As at 31 March 2021, there had been 155 candidate projects selected under the UCF involving 188 sub-projects or sites. The types of projects announced included road upgrades, road extensions, intersection upgrades, level-crossing removals and, as outlined below, commuter car park upgrades.
4. For commuter car parks within the UCF, as at 31 March 2021, there had been 44 commuter car park projects announced involving upgrades at 47 identified sites with a total Australian Government funding commitment of \$660.4 million. For these 47 sites:
  - assessment work had been completed for 10 car parks resulting in \$100 million of Australian Government funding being approved for the full project (including delivery of construction work). Construction had been completed at two sites and had commenced at a further three sites;
  - for a further 23 projects, the department had assessed proposals for the funding of scoping/development work with \$22 million in funding approved (of the \$300 million committed to those 23 projects);
  - one had not been assessed or approved as it is being fully funded by the Victorian Government;
  - two projects had been cancelled; and
  - no assessment work had yet been undertaken in relation to the remaining 11 projects with an aggregate commitment of \$175 million reflecting the situation that a project proposal had not yet been received from the identified proponent.<sup>1</sup>
5. The Department of Infrastructure, Transport, Regional Development and Communications ('Department of Infrastructure' or 'the department') is responsible for the administration of the UCF, including: assessing project proposals; making recommendations for funding to the

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1 The commuter car park project proponents are a mix of state agencies and councils.

Minister<sup>2</sup>; negotiating the milestone deliverables with project proponents; recommending payments against completed milestones<sup>3</sup>; and monitoring and reporting on project delivery.

### **Rationale for undertaking the audit**

6. A potential audit of the UCF was included in the ANAO's Annual Audit Work Program for 2020–21 as part of the ANAO's coverage of funding programs. The Joint Committee of Public Accounts and Audit identified the potential audit topic as a priority, the Rural and Regional Affairs and Transport Reference Committee requested that the audit scope include the design of the UCF, and a request for audit was received from Mr Andrew Giles MP.

### **Audit objective and criteria**

7. The objective of the audit was to assess the effectiveness of the administration of the commuter car park projects within the UCF.

8. To form a conclusion against this objective, the following high-level criteria were applied:

- Was the UCF well designed?
- Was an appropriate approach taken to identifying and selecting commuter car park projects?
- Were funding decisions on commuter car park projects informed by appropriate advice?
- Are approved commuter car park projects being delivered?

### **Conclusion**

9. The Department of Infrastructure's administration of the commuter car park projects within the Urban Congestion Fund was not effective.

10. The design and implementation of the Urban Congestion Fund relied on existing arrangements generic to infrastructure investment projects. The department did not develop a program-specific implementation plan, performance indicators or evaluation plan. As a \$4.8 billion initiative, which included a car park component that was new for the Australian Government, customisation was warranted. The potential for research and data to inform program design and project identification was not fully realised. Record keeping was not compliant with departmental and Australian Government policies.

11. The department's approach to identifying and selecting commuter car park projects for funding commitment was not appropriate. It was not designed to be open or transparent. The department did not engage with state governments and councils, which increased the risk that selected projects would not deliver the desired outcomes at the expected cost to the Australian

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2 The Ministers with responsibility for Urban Infrastructure during the period examined in this audit were, in sequential order:

- the Hon Paul Fletcher MP to 28 August 2018 as Minister for Urban Infrastructure and Cities;
- the Hon Alan Tudge MP from 28 August 2018 to 22 December 2020 as Minister for Cities, Urban Infrastructure and Population; and
- the Hon Paul Fletcher MP from 22 December 2020 as Minister for Communications, Urban Infrastructure, Cities and the Arts.

3 The Treasury is responsible for processing monthly payments between the Australian and state government treasuries, in accordance with the Intergovernmental Agreement on Federal Financial Relations.

Government. Departmental advice did not contain an assessment against the investment principles or policy objectives and it was not demonstrated that projects were selected on merit. The distribution of projects selected reflected the geographic and political profile of those given the opportunity by the government to identify candidates for funding consideration.

12. While the department provided written briefings that included assessment reports to advise the Minister to approve funding for 33 projects up to 31 March 2021, the underlying assessment work was not to an appropriate standard. Insufficient assessment work has been undertaken by the department to satisfy itself that projects are eligible for funding under the *National Land Transport Act 2014*. In relation to the merits of projects, the department did not seek to establish assessment criteria, and the assessment work has not adequately demonstrated that approved projects will provide value for money.

13. By 31 March 2021, five of the 47 commuter car park sites originally announced (11 per cent) had commenced construction, with construction of two of these sites reaching practical completion. By this date, the department had paid \$76.5 million of program funding (12 per cent of the total committed) relating to 28 sites. The department has not had sufficiently strong controls in place to establish, for each approved project, clear delivery timelines and links between payments and milestones.

## Supporting findings

### Fund design

14. There was a clear policy objective for the Urban Congestion Fund (UCF) and for its commuter car park component. The UCF was to be administered through the existing framework of the Infrastructure Investment Program. Agreed governance arrangements specific to the UCF provided a framework for identifying projects and determining priorities for funding. These included that projects would be identified and selected by the Australian Government taking into account five UCF principles.

15. The department did not develop a plan for implementing the UCF governance arrangements, including for how the UCF principles would be applied to commuter car park projects. It did not develop a plan identifying the avenues through which UCF projects could be identified.

16. While some appropriate analysis of urban congestion in Australia was undertaken by the department, the extent to which it informed the Fund's design and implementation was limited.

17. Performance indicators and an evaluation strategy specific to the UCF have not been developed. Instead, the department is relying on the broader Infrastructure Investment Program arrangements.

18. The majority of the records of the design and delivery of the Fund were not being appropriately managed within a records management system. In response to record keeping issues raised by the ANAO, in late 2020 the department initiated actions to address non-compliance with departmental and Australian Government record keeping policies. The department was also in the final stages of replacing its existing IT system for administering the Infrastructure Investment Program, which it expects will improve data management.

## Project identification and selection

19. The selection of 47 commuter car park sites for funding commitment were decisions of government taken over the period January to July 2019 and:

- effected in 38 cases (81 per cent) by the written agreement of the Prime Minister to a written request from Ministers;
- effected in seven cases (15 per cent) by the election commitment process<sup>4</sup>; and
- in two cases (four per cent) the department had not evidenced how the funding commitment was effected, beyond email advice from the Minister's Office and a media announcement by the Prime Minister.

20. There was not appropriate engagement with state and council delivery partners to identify candidate projects by the department. The limited engagement that did occur was by the Minister's Office with some states and by Parliamentarians or candidates with some councils. The associated risk of selecting projects that were not feasible given site constraints or costs, or were not supported or co-funded by the intended delivery partner, was realised in some cases.

21. Neither the department's advice nor the recorded reasons for selection outlined each project's merits against the investment principles or how each project would contribute to achieving the policy objective of the UCF. As a result, there is little evidence to demonstrate that the selection of commuter car park projects was based on assessed merit against the investment principles or achievement of the policy objective.

22. Project distribution reflected the geographic and political profile of those given the opportunity to identify candidate projects for funding consideration. The approach to project identification included canvassing the Member of the House of Representatives for 23 electorates, as well as Coalition Senators or candidates for six electorates then held by the Australian Labor Party or Centre Alliance.

23. The distribution that resulted from the approach taken included that:

- 64 per cent of projects were located in Melbourne, representing more than 2.5 times the number of projects located in Sydney notwithstanding that Infrastructure Australia has identified that the majority of the most congested roads in Australia are located in Sydney;
- the Melbourne projects were predominantly located towards the South-East, whereas data shows that Melbourne's most congested roads in 2016, and as forecast in 2031, are predominantly in the North-West; and
- nationally, 77 per cent of the commuter car park sites selected were in Coalition-held electorates and a further 10 per cent were in one of the six non-Coalition electorates canvassed.

## Project funding approval

24. Assessment work has been completed for 10 car parks resulting in \$100 million of Australian Government funding being approved for the full project (including delivery of

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<sup>4</sup> An election commitment authority letter signed by the Prime Minister on 5 July 2019 provided authority to progress the seven commuter car park sites outlined in the Coalition's *Our Plan to Deliver Budget Surpluses without Increasing Taxes*.

construction work). For a further 23 projects, the department has assessed proposals for the funding of scoping/development work with \$22 million in funding approved (representing seven per cent of the total Australian Government funding committed for those projects). Further assessment work will be required in relation to:

- whether the remaining \$278 million in Australian Government funding should be awarded to deliver those 23 projects for which scoping/development work has been approved; and
- the remaining 11 projects with an aggregate commitment of \$175 million.

25. Inadequate assessment attention has been given to the eligibility of projects. The assessment guidelines do not address how the department will assess eligibility, and was not addressed in the department's project assessment reports. For each of the 33 projects assessed up to 31 March 2021, the department identified in decision briefings provided to the Minister a subsection of the *National Land Transport Act 2014* under which it considered the project to be eligible. The ANAO's analysis was that, of those 33 projects:

- three were not eligible under the subsection identified by the department, although they were eligible under another subsection;
- one project was not eligible— a finding that has been accepted by the department with the department advising the ANAO that it is seeking to address this situation before construction commences; and
- 10 proposed sites were not attached to a rail station which raised questions as to their eligibility that were not addressed in the relevant project assessment reports, but were addressed by the department in responding to the ANAO.

26. The merits of projects has not been appropriately assessed by the department to inform its recommendations to the Minister. The design of the UCF did not include the development and Ministerial approval of merit assessment criteria. It has been common for the assessments that have been completed to not: identify the number of additional parking spaces that would result from the project; compare the cost of each additional car park to a relevant benchmark; and/or identify that there is a sufficiently high net economic benefit from the project. While the extent and depth of analysis expected for scoping/development projects may differ from that expected for delivery projects, the level of analysis undertaken by the department did not differ greatly. For example, under both categories of assessments, it was common for the department to not analyse information such as the number of car park spaces expected to be provided.

27. The department has provided clear funding recommendations in respect to the 33 projects for which it had submitted written briefings to the Minister. Reflecting the results of the department's assessment of project eligibility and merit, on each occasion the department recommended that funding be provided.

## Project delivery

28. Clear delivery timelines and milestone payment schedules were not established at project approval stage. The department advised the Minister that it would establish these after the project was approved. However, 13 of the 33 approved projects did not have any milestones recorded or had incomplete milestones recorded, in part due to not yet having established the delivery timeline. Advanced payments increased project risk to the Australian Government.

Monthly reporting obtained by the department from proponents on progress against milestones has not been to a consistent standard.

29. By 31 March 2021, five of the 47 commuter car parks initially announced (11 per cent) had commenced construction with two of these achieving practical completion.

30. As at 31 March 2021, \$76.5 million in Australian Government funding (12 per cent of the total Australian Government funding then committed to the National Commuter Car Park Fund) had been paid. This covered 28 car park sites with:

- \$18.7 million going to 20 scoping/development projects; and
- \$57.8 million going to eight delivery projects.

## Recommendations

**Recommendation no. 1**  
**Paragraph 2.49** When establishing funding programs for inclusion in the Infrastructure Investment Program, the Department of Infrastructure, Transport, Regional Development and Communications develop an implementation plan, performance indicators and an evaluation strategy specific to the funding program.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

**Recommendation no. 2**  
**Paragraph 2.73** The Department of Infrastructure, Transport, Regional Development and Communications' improvements to Infrastructure Investment Program record keeping include ensuring good quality business information that is fit for purpose is created, which means that it:

- contains sufficient detail to meet current business needs and can be understood by others in the future;
- is accurate; and
- is created in a format that enables efficient business processes and maximises its potential for use and reuse.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

**Recommendation no. 3**  
**Paragraph 4.31** The Department of Infrastructure, Transport, Regional Development and Communications document and apply assessment procedures that require it to undertake sufficient inquiries to demonstrate that candidates for funding under the *National Land Transport Act 2014* are eligible for approval before it makes a funding recommendation to the Minister.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*



**Recommendation no. 4**  
**Paragraph 4.37**

In designing programs for the delivery of funding through the *National Land Transport Act 2014*, the Department of Infrastructure, Transport, Regional Development and Communications propose for Ministerial consideration merit criteria that will be used to assess whether projects represent an efficient, effective, economical and ethical use of public money.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

**Recommendation no. 5**  
**Paragraph 4.57**

When providing advice on whether funding should be approved for funding candidates under the *National Land Transport Act 2014* that have been identified through a non-competitive process, the Department of Infrastructure, Transport, Regional Development and Communications identify relevant benchmarks against which to assess whether the proposal represents value for money and is appropriate for approval.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

**Recommendation no. 6**  
**Paragraph 5.14**

The Department of Infrastructure, Transport, Regional Development and Communications strengthen its controls over the establishment of delivery and payment milestones, including by setting out in the Ministerial approval briefing the department's proposed milestones or the parameters for negotiating those milestones.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

## Summary of responses

31. The proposed audit report was provided to: the Department of Infrastructure; the Minister for Communications, Urban Infrastructure, Cities and the Arts; and the former Minister for Cities, Urban Infrastructure and Population. Extracts of the proposed report were also provided to: the relevant agency in each state and territory; Maroondah City Council; the National Growth Areas Alliance; and Parking Australia.

32. The letters of response that were received for inclusion in the audit report are at Appendix 1. The letters were from: the Department of Infrastructure; the Minister for Communications, Urban Infrastructure, Cities and the Arts; and the Department of Transport, Victoria.

## Key messages from this audit for all Australian Government entities

33. Below is a summary of key messages that have been identified in this audit and may be relevant for the operations of other Australian Government entities.

### **Program design**

- Consultation with project delivery partners before making decisions on project selection or funding enables such decisions to be better informed as to likely project costs, risks, feasibility and delivery timeframes. At a minimum, such consultation should occur prior to decisions being publicly announced so as to ensure that the intended delivery partner will undertake the project and provide any required co-contributions.
- Where a project crosses into state jurisdiction, such as relates to state-controlled transport infrastructure, then prior consultation with the state/territory government is important to inform decision-making, including to identify the highest priority projects.

### **Records management**

- Transparency, accountability and informed decision-making is supported by the making and keeping of records. This includes the creation of good quality information that contains sufficient detail to meet current business needs and that can be efficiently found and understood by others in the future.

## **Audit findings**

# 1. Background

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## Introduction

### Urban Congestion Fund

1.1 The Urban Congestion Fund (UCF) was established in the 2018–19 Budget. The stated objective of the UCF was to 'support projects to remediate pinch points, improve traffic safety and increase network efficiency for commuter and freight movements in urban areas'. Total funding for the UCF has grown from \$1 billion to \$4.8 billion.

1.2 As at 31 March 2021, there had been 155 candidate projects selected under the UCF involving 188 sub-projects or sites. The types of projects announced included road upgrades, road extensions, intersection upgrades, level-crossing removals and, as outlined below, commuter car park upgrades.

#### *National Commuter Car Park Fund component*

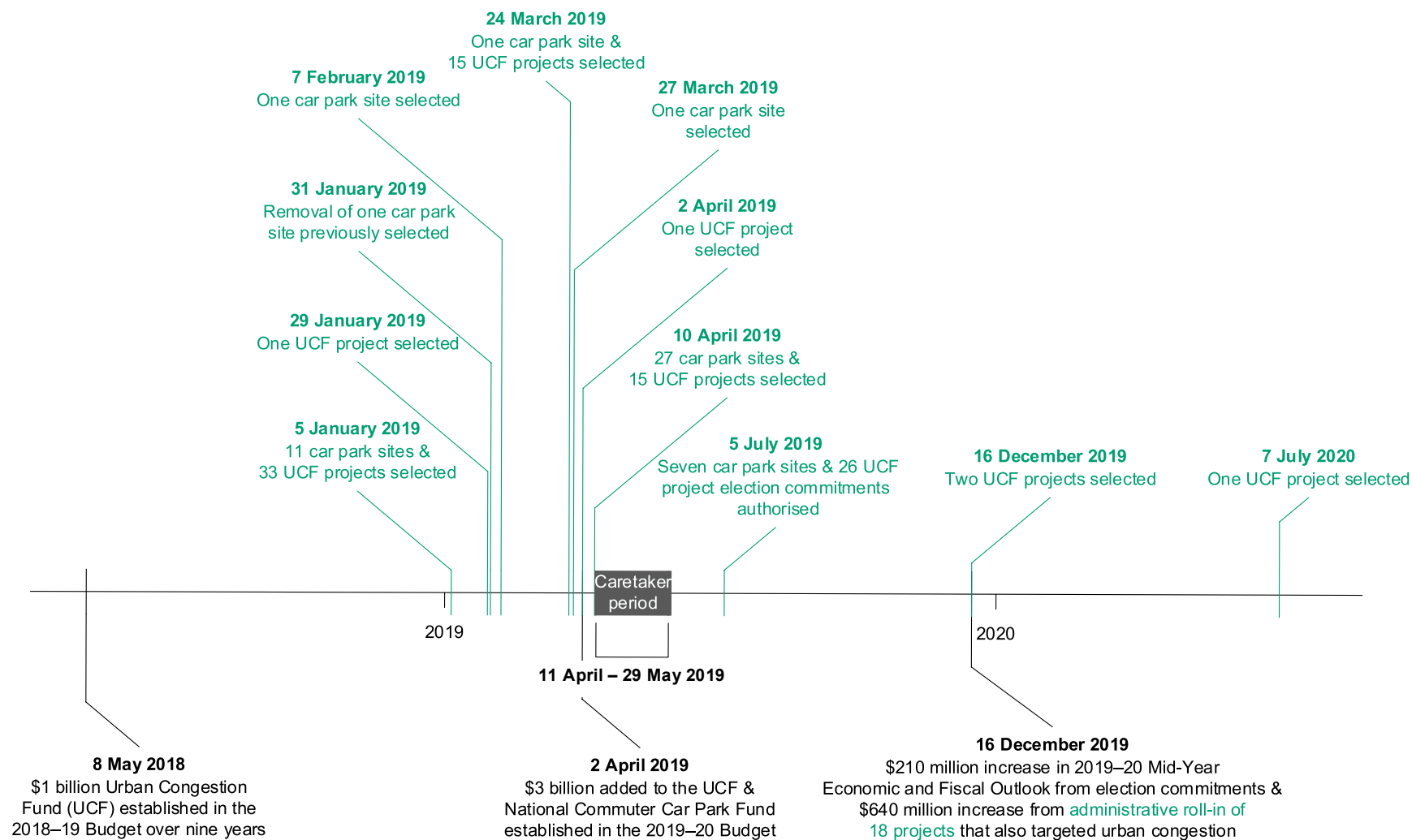
1.3 The \$3 billion added to the UCF in the 2019–20 Budget included \$500 million for a National Commuter Car Park Fund (NCCPF) to 'improve access to public transport by funding park and ride facilities at rail stations'.

1.4 The NCCPF component was expanded to \$650 million in the 2019–20 Mid-Year Economic and Fiscal Outlook (MYEFO), due to the administrative roll-in of \$149 million to upgrade 13 commuter car parks. These projects had been announced under the UCF prior to the establishment of the NCCPF.

1.5 By 31 March 2021, there had been 44 commuter car park projects announced involving upgrades at 47 identified sites. Funding committed to commuter car projects was \$660.4 million. The May 2021 Budget included \$92.8 million for commuter car park upgrades including Berwick Railway Station, Frankston Railway Station, and Ringwood Railway Station (each of which was one of the existing 47 sites but were not able to be delivered for the amount of funding originally announced).

1.6 Figure 1.1 provides an overview of key points in the decision-making process for the selection of projects for funding under the UCF and NCCPF.

**Figure 1.1: Urban Congestion Fund and National Commuter Car Park Fund key events timeline to 31 March 2021**



Source: ANAO analysis of Department of Infrastructure records.

## Legislative framework

1.7 The *National Land Transport Act 2014* (NLT Act) provides ‘for the funding of projects related to land transport matters, and for related purposes’. The UCF was established as a sub-program of the Infrastructure Investment Program and UCF projects are funded as ‘Investment Projects’ under Part 3 of the NLT Act.

1.8 Projects funded under the NLT Act are governed by the National Partnership Agreement on Land Transport Infrastructure Projects (‘National Partnership Agreement’). This Agreement was most recently updated and agreed by the Australian, state and territory governments in July 2019.

1.9 The Schedules to the National Partnership Agreement indicate the levels of funding the Australian Government intends to provide to the states/territories (‘states’) for land transport infrastructure projects, including for each UCF project. Inclusion in the Schedules is not a guarantee of funding. Funding must be subsequently approved by the Minister<sup>5</sup> in accordance with the relevant legislation, notably with the NLT Act and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

1.10 The Notes on Administration for Land Transport Infrastructure Projects (‘Notes on Administration’) set out the administrative requirements for projects that have been included in the Schedules. In respect to Investment Projects like the UCF projects, the Notes on Administration set out the:

- process for consideration of projects for approved funding, including associated terms and conditions;
- administrative processes that funding recipients must follow relating to project and financial governance; and
- administrative requirements relating to project completion, closure and evaluation.

1.11 The National Partnership Agreement is itself a schedule to the Federation Funding Agreement — Infrastructure<sup>6</sup>, which was created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations. National Partnership payments, including the UCF payments, are made to the states for the purposes of the *Federal Financial Relations Act 2009*. Such payments are not subject to the Commonwealth Grant Rules and Guidelines (CGRGs) and, as a result, the UCF does not meet the definition of a grant program and is not subject to the CGRGs.

1.12 Neither the Notes on Administration nor the National Partnership Agreement describe the arrangements and processes associated with the selection of projects to be included in the Schedules. There were also no published guidelines, eligibility criteria or merit criteria for the UCF.

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5 Of the 33 commuter car park project activities approved as at March 2021, 31 had been approved by the Hon Alan Tudge MP with the other two projects approved by the Hon Michael McCormack MP (as those two projects were located in Mr Tudge’s electorate).

6 On 28 August 2020, the Council on Federal Financial Relations established a new Federation Funding Agreements framework with payments to the states being facilitated through schedules to the Federation Funding Agreements. All existing National Partnership and Project Agreements were consolidated into five overarching sectoral Federation Funding Agreements. Prior to this date, the National Partnership Agreement was still subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations.

Funding was allocated using a non-competitive, non-application based process. The selection of projects were decisions of the Australian Government.

## Administrative responsibilities

1.13 The Department of Infrastructure, Transport, Regional Development and Communications ('Department of Infrastructure' or 'the department') is responsible for implementing the UCF to achieve the Australian Government's policy objectives, for providing related advice to the Minister and for managing the UCF budget. The department's administrative responsibilities for the commuter car park projects include: assessing project proposals; making recommendations for funding to the Minister<sup>7</sup>; negotiating the milestone deliverables with project proponents; recommending payments against completed milestones to The Treasury; and monitoring and reporting on project delivery.

1.14 The Treasury is responsible for processing monthly payments between the Australian and state government treasuries, in accordance with the Intergovernmental Agreement on Federal Financial Relations.

1.15 The commuter car park project proponents are a mix of state agencies and councils. Proponents submit project proposals to the Department of Infrastructure. If their proposal is approved by the Minister, they deliver the project, certify that milestones have been met and claim payment.

1.16 State agencies are the only eligible recipients of payments made under the National Partnership Agreement and, therefore, of the UCF funding. In respect to both the approved projects that they are to deliver and that councils in their state are to deliver, the state agency is the funding recipient and is subject to the mandatory conditions of funding set out in Part 3 of the NLT Act. State agencies are to pass on payments to council project proponents.

## Rationale for undertaking the audit

1.17 A potential audit of the UCF was included in the ANAO's Annual Audit Work Program for 2020–21 as part of the ANAO's coverage of funding programs. The Joint Committee of Public Accounts and Audit identified the potential audit topic as a priority, the Rural and Regional Affairs and Transport Reference Committee requested that the audit scope include the design of the UCF, and a request for audit was received from Mr Andrew Giles MP.

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7 The Ministers with responsibility for Urban Infrastructure during the period examined in this audit were, in sequential order:

- the Hon Paul Fletcher MP to 28 August 2018 as Minister for Urban Infrastructure and Cities;
- the Hon Alan Tudge MP from 28 August 2018 to 22 December 2020 as Minister for Cities, Urban Infrastructure and Population; and
- the Hon Paul Fletcher MP from 22 December 2020 as Minister for Communications, Urban Infrastructure, Cities and the Arts.

## Audit approach

### Audit objective, criteria and scope

1.18 The objective of the audit was to assess the effectiveness of the administration of the commuter car park projects within the UCF.

1.19 To form a conclusion against this objective, the following high-level criteria were applied:

- Was the UCF well designed?
- Was an appropriate approach taken to identifying and selecting commuter car park projects?
- Were funding decisions on commuter car park projects informed by appropriate advice?
- Are approved commuter car park projects being delivered?

1.20 The audit scope encompassed the design of the UCF and the administration of the commuter car park projects within the Fund by the Department of Infrastructure up to 31 March 2021.

### Audit methodology

1.21 Department of Infrastructure records related to the design and implementation of the UCF were collected and examined. These records included:

- those saved in the department's record management system, in SharePoint, in a system drive and in the Parliamentary Document Management System;
- email accounts; and
- reports generated from the department's Infrastructure Management System.

1.22 Key departmental officers in the Department of Infrastructure were engaged with.

1.23 The relevant agency in each state was invited to share with the ANAO its views on the design and administration of the commuter car park component of the UCF. Each was offered the opportunity to provide input on some detailed questions, as well as to outline whether they were satisfied with the overall design and administration. Input was received from five of the states, ranging from brief to detailed comments.

1.24 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$480,000.

1.25 The team members for this audit were Tracey Bremner, Chérie Simpson, Tiffany Tang and Brian Boyd.



## 2. Fund design

### Areas examined

The ANAO examined whether the Urban Congestion Fund was well designed.

### Conclusion

The design and implementation of the Urban Congestion Fund relied on existing arrangements generic to infrastructure investment projects. The department did not develop a program-specific implementation plan, performance indicators or evaluation plan. As a \$4.8 billion initiative, which included a car park component that was new for the Australian Government, customisation was warranted. The potential for research and data to inform program design and project identification was not fully realised. Record keeping was not compliant with departmental and Australian Government policies.

### Areas for improvement

The Department of Infrastructure has initiatives in train that should improve the manner in which Infrastructure Investment Program records are kept and data is managed. The ANAO has recommended that these initiatives also ensure good quality business information that is fit for purpose is created.

The ANAO has also recommended that the department develop program-specific implementation plans, performance indicators and evaluation strategies when establishing new funding streams for infrastructure investment projects.

2.1 The Department of Infrastructure has overarching responsibility for the Urban Congestion Fund — from supporting government in ensuring the Fund is designed to maximise the achievement of the policy objectives, through to providing it assurance that the \$4.8 billion investment has had the desired impact. The ANAO examined key design aspects of the Fund, including informing and planning implementation and evaluation.

### Was there a clear policy objective and program framework?

There was a clear policy objective for the Urban Congestion Fund (UCF) and for its commuter car park component. The UCF was to be administered through the existing framework of the Infrastructure Investment Program. Agreed governance arrangements specific to the UCF provided a framework for identifying projects and determining priorities for funding. These included that projects would be identified and selected by the Australian Government taking into account five UCF principles.

2.2 The UCF was introduced as a \$1 billion initiative in the 2018–19 Budget in the context of an Australian Government commitment to a rolling 10 year infrastructure investment pipeline, which then involved 'more than \$75 billion in nationally significant transport infrastructure projects'.<sup>8</sup> The UCF had a clear policy objective, which was to 'support projects to remediate pinch points, improve traffic safety and increase network efficiency for commuter and freight movements in urban areas'.

8 Commonwealth of Australia, *Strengthening Australia's cities and regions: the Australian Government's 10 Year Investment in Infrastructure*, May 2018.

2.3 The Australian Government's investment in transport infrastructure increased to \$100 billion over 10 years in the 2019–20 Budget.<sup>9</sup> The UCF became a \$4 billion initiative with a \$500 million National Commuter Car Park Fund component. This component also had a clear policy objective, which contributed to the achievement of the broader UCF objective and was to 'improve access to public transport by funding park and ride facilities at rail stations'. By 31 March 2021, subsequent funding brought the total to \$4.8 billion of which \$660 million was allocated to commuter car parking.

2.4 The UCF funding, along with the majority of the 10 year transport infrastructure funding, was to be provided through the Infrastructure Investment Program. It is a long established program with a legislative framework and administrative arrangements in place, as outlined in paragraphs 1.7–1.16. The department therefore had existing processes, templates and systems for UCF project approval and administration.

2.5 Infrastructure Investment Program projects are governed under the National Partnership Agreement on Land Transport Infrastructure Projects ('National Partnership Agreement'). The policy objective of the UCF supported one of the three stated objectives for infrastructure investment under the National Partnership Agreement, being: 'new and upgraded road and rail infrastructure that improves safety, eases congestion and supports productivity'.

### **Designing the process for allocating funding**

2.6 The process for allocating funding via sub-programs established under the Infrastructure Investment Program is not specified in the legislative or administrative arrangements. Different processes have been adopted for different sub-programs. For example:

- for the Bridges Renewal Program and the Heavy Vehicle Safety and Productivity Program, funding is allocated via a competitive, merit-based selection process; whereas
- under the Roads to Recovery program, each council is guaranteed a share of the total available funding.

2.7 The design of the process for allocating the UCF funding evolved over the six-month period following the 2018–19 Budget:

- initially government envisaged a process whereby eligible applicants could make submissions and a competitive, merit-based selection process would be used, with guidelines issued publicly;
- The Treasury consistently supported the use of a competitive, merit-based selection process so as 'to ensure the highest congestion reduction at the lowest cost'<sup>10</sup>;

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9 Commonwealth of Australia, *Building Our Future: Delivering the Right Infrastructure for a Growing Nation*, April 2019.

10 Competitive merit-based selection processes promote open, transparent and equitable access to funding opportunities and can achieve better outcomes and value for money than alternate models. For reasons such as these, the Commonwealth Grants Rules and Guidelines state: 'Competitive, merit based selection processes should be used to allocate grants, unless specifically agreed otherwise by a Minister, accountable authority or delegate.' While the UCF payments are not defined as grants, they exhibit many of the same characteristics as grants and so consideration of the better practice outlined in the Commonwealth Grants Rules and Guidelines may assist in the effective administration of the UCF.

- the Department of Infrastructure did not support the use of a competitive selection process and proposed to the Minister for Urban Infrastructure's Office:
  - in early June 2018, that 'to ensure we are seen as being an informed investor we don't issue formal guidelines but instead have set of criteria for us to engage with parties on. Otherwise they will just get out *[sic]* to pay for the projects they already have planned.'; and
  - in late June 2018, a non-competitive submission process involving the release of an urban congestion prospectus calling for innovative solutions to congestion problems;
- the process agreed by government in October 2018 as part of the UCF 'governance arrangements', was that:
  - there would be no formal call for submissions;
  - projects would be identified and selected by the Australian Government;
  - projects would be identified through ongoing engagement with relevant stakeholders, which may include seeking project proposals and could include obtaining advice from Infrastructure agencies; and
  - UCF 'principles' would be publicly released to provide a framework when discussing potential investments with stakeholders.

### **Governance arrangements, including the UCF principles**

2.8 The UCF governance arrangements agreed by the Australian Government in October 2018 were set out in a two-and-a-half page document. They were described as providing 'a framework' to consider data and engage with stakeholders to identify projects/corridors and to determine initial priorities for funding.

2.9 The governance arrangements outlined that the program would be 'shaped around' five 'objectives' or 'principles for the implementation of the Urban Congestion Fund'. These were also to be taken into account in the identification and selection of projects. The five UCF principles were:

- focused investment on high value works;
- smaller scale and co-funded;
- driven by evidence;
- encourage innovation; and
- support wider urban development (further detail against each is at paragraph 3.32).

### **Was there a plan for implementing the governance arrangements?**

The department did not develop a plan for implementing the UCF governance arrangements, including for how the UCF principles would be applied to commuter car park projects. It did not develop a plan identifying the avenues through which UCF projects could be identified.

2.10 Implementation planning helps to support the delivery of policy initiatives on time, within budget and to an acceptable level of quality. In the context of the UCF design, the focus of implementation planning would not need to be on project administration given the existing

Infrastructure Investment Program arrangements in place. Rather, an implementation plan would sit under the framework set by the governance arrangements and outline how it would be operationalised and the UCF policy objectives realised.

2.11 The Department of Infrastructure did not develop an implementation plan for the UCF. This was a particular shortcoming in relation to the commuter car park component, as the Australian Government had not previously delivered a program dedicated to the funding of car parks.<sup>11</sup> The department advised the ANAO in April 2021 that:

The Department considers the mechanisms and governance requirements of the NLT Act and existing [Infrastructure Investment Program] processes are sufficient for program management in many circumstances and particularly apply to road projects under the UCF ... The Department agrees in principle that implementation plans should be developed where existing mechanisms and procedures are not appropriate and the Department will review implementation arrangements for any programs that may be developed.

### **Commuter car park component**

2.12 Departmental input to the development of a commuter car park initiative commenced in November 2018 (see paragraphs 2.21–2.22), with the Australian Government’s decision to dedicate \$500 million to the funding of additional commuter car park projects within an expanded UCF being announced in the 2019–20 Budget.

2.13 The Department did not have a plan for implementing the governance arrangements, or applying the UCF principles, to the funding of commuter car park projects. This was notwithstanding that the projects selected under the initial \$1 billion UCF had included 13 commuter car park projects. There was little time to develop an implementation plan after the National Commuter Car Park Fund was announced, given the majority of the additional commuter car park projects (79 per cent) were selected eight days after Budget night (see Table 3.1).

### **Strategy for identifying candidates for funding consideration**

2.14 The agreed process for allocating UCF funding did not involve an open call for applications. In a previous audit of an infrastructure funding program that also did not involve a call for applications, the ANAO made the following recommendation, which was agreed to by the department:

ANAO recommends that, in administering grant programs that do not involve an open call for applications, the Department of Infrastructure and Transport develop, for consideration by the responsible Minister, an implementation strategy that clearly identifies the avenues through which candidate projects are able to be identified, and the department’s role in this process.<sup>12</sup>

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11 Departmental advice to the Minister for Urban Infrastructure’s Office in July 2018: noted that the Australian Government had not had significant involvement in the planning or funding of car park facilities; provided four examples of where a car park project had been funded as part of a larger project; and provided one example of a park and ride facility funded under the Community Development Grants Programme.

12 Auditor-General Report No.7 2011–12 *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund*, Recommendation No. 1, paragraph 3.140.

2.15 In relation to the avenues for identifying UCF projects, the governance arrangements outlined that the Minister for Urban Infrastructure:

- would identify projects through ongoing engagement with relevant stakeholders<sup>13</sup>, including state, territory and local governments, members of parliament and other political representatives, advocacy groups and the private sector;
- this 'may' include writing to state and territory Ministers seeking project proposals for consideration; and
- 'could' include obtaining advice from Infrastructure agencies, including drawing on modelling of congestion challenges undertaken by the Department of Infrastructure, as well as advice from Infrastructure Australia.

2.16 The detail in the governance arrangements was sufficient to provide a basis for the department to develop an implementation strategy or plan to put to the Minister. The departmental records did not contain such a strategy.

2.17 The department advised the ANAO in April 2021 that it had 'consulted with stakeholders on the Urban Congestion Fund and established a process to identify projects for consideration by Government in the lead up to 2018–19 MYEFO'. The ANAO requested supporting evidence 'of the department's consultation with stakeholders pre-project selection stage for the purpose of informing its identification of potential projects' (such as copies of 'requests for, and receipt of, information from stakeholders') and evidence of the process 'established' to identify and select projects that was then operationalised. The department's response was a copy of a briefing it provided to Ministers in the lead up to the 2018–19 MYEFO.<sup>14</sup> The briefing advised that, to identify priorities under various initiatives including the UCF, the department:

- 'is undertaking analysis of available data' and then it listed some data sources (see paragraph 2.26); and
- 'will also hold officials' level discussions with jurisdictions on state priorities' but provided no further detail.

2.18 Examination of the engagement with states and councils in the identification of commuter car park projects for funding consideration is at paragraphs 3.18–3.26. The avenues through which the commuter car park projects were identified is outlined at paragraph 3.53.

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13 Parking Australia (the peak body representing the parking industry whose members consist of local governments, private car park operators, universities, airports, entertainment facilities, car park designers, builders as well as software and hardware providers) submitted to the ANAO that: 'Parking Australia met with the then Minister for Population, Cities and Urban Infrastructure, Alan Tudge on 8 May 2019 and again on 12 June 2019 to provide Parking Australia's view on the Commuter Car Park initiative. Parking Australia was supportive the concept although it may have drawn motorists away from paid commercial parking facilities. ... Parking Australia did not advise the Minister on potential sites but did raise discuss the need for commuter car parks to be expanded in our cities, especially in metropolitan Melbourne and Sydney. However, we did encourage the Minister to have the program look beyond just the car park and include technology informing motorists of vacancy levels and way finding to parking spaces helping get cars off the road in an efficient manner.'

14 The briefing was submitted to the Minister for Infrastructure, Transport and Regional Development in October 2018 for agreement. It was not signed by the Minister and was 'closed' in the Parliamentary Document Management System two months later as 'superseded'. The briefing had also been copied to the Minister for Urban Infrastructure.

## Was appropriate analysis of urban congestion in Australia undertaken to inform the Fund's design and implementation?

While some appropriate analysis of urban congestion in Australia was undertaken by the department, the extent to which it informed the Fund's design and implementation was limited.

2.19 To maximise the opportunity for success, program design and implementation should be informed by a strong evidence base and sound analysis. This was particularly important for the UCF, given the governance arrangements outlined that the UCF would be shaped and implemented around the principle 'driven by evidence'. The design and selection of UCF projects was to be based on addressing problems identified through an evidence-based process where the benefits could be clearly defined.

2.20 An approach of using evidence and analysis to inform the UCF was consistent with its positioning as an initiative within the 10 year infrastructure investment pipeline. The Australian Government committed to being 'a more informed, active and early stage investor' in developing and delivering the pipeline, such as 'being an active investor in these key infrastructure initiatives, not simply allocating grant funding to State and Territory Governments'.<sup>15</sup>

### Informing the design of the commuter car park component

2.21 Subsequent to the UCF being announced, and key elements of its design being agreed in the governance arrangements, work commenced on the design of an initiative for the funding of commuter car parks. In November 2018 the Minister's Office requested a briefing on a 'Park and Ride Facility', predominantly on how many could be funded with a \$250 million investment.<sup>16</sup> The department analysed state government announcements for 19 'park and ride' projects and then advised the Minister that 'due to high variability in costs ... it is not possible to provide an exact estimate ... as an indicative estimate ... based on a 50:50 Commonwealth/State funding split, up to around 40 such facilities could be funded'. The department included a summary of the 19 projects announced by state governments and of eight project commitments announced by the Federal Opposition.

2.22 The November 2018 briefing also advised the Minister that 'construction of a carpark attached to a rail station would be considered an 'inter-modal transfer facility' ... and therefore such projects would be eligible for approval under Part 3 of the [NLT Act]'. The brief advised that a report released by Infrastructure Australia (IA), *Outer Urban Public Transport: Improving accessibility in lower-density areas*, noted:

there is great potential for incentivising public transport use through providing additional car parking and the prioritisation of parking for commuters.

IA particularly supported building these facilities in lower-density outer suburban areas, as this broadens the reach of networks substantially, and makes public transport a more viable option for people who do not live near a station.

15 Commonwealth of Australia, *Strengthening Australia's cities and regions: the Australian Government's 10 Year Investment in Infrastructure*, May 2018, particularly p. 6.

16 In addition, in June 2020 the Minister requested that cost benchmarking be undertaken for car park projects. See further at paragraphs 4.46–4.48.

2.23 The relevant Ministers reflected the above advice on eligibility and the potential for incentivising public transport use when seeking agreement in December 2018 to bring forward a proposal for a commuter car park fund. There was no further evidence of research or analysis being used to inform the design of the commuter car park fund component announced in the 2019–20 Budget.

2.24 There are established state government programs for the funding of commuter car parks that could have informed the design of the commuter car park fund. Departmental records indicate the states were not consulted in this regard. This is consistent with advice from those states who provided input to the ANAO. Input included:

- the [state agency] was not consulted in the design of the commuter car park component of the fund.
- [the state government and state agency] were not consulted on the development of the Commonwealth's program.
- There had been no prior consultation about the creation of the commuter car park fund.

### **Informing the implementation of the UCF**

2.25 Departmental analysis of urban congestion in Australia could be used to inform the implementation of the UCF, helping to ensure that the projects selected for funding would 'target congestion in some of our worst affected urban areas' as intended. The department had access to reports, data and modelling that either identified, or could be used to identify, congested urban roads or corridors and the key characteristics of projects that may have a positive or negative effect on urban congestion.

2.26 The department advised its Ministers in October 2018 that, to identify priorities under various initiatives including the UCF, it was 'undertaking analysis of available data, including state transport and infrastructure plans, Infrastructure Australia's Audit and Priority List, plus modelling commissioned through the Commonwealth Scientific and Industrial Research Organisation (CSIRO) TraNSIT (regional corridors) and Veitch Lister (urban networks).'

#### *Informing the targeting of the initial \$1 billion*

2.27 As input to the allocation of the initial \$1 billion, on 2 November 2018 the department provided the Minister's Office a draft list of 19 proposed UCF projects (with some being packages of works) across seven states/territories. The covering email stated:

Here is the list as it currently stands following analysis of the modelling and chats with all but one of the states. Don't put too much stock in the actual profiles. They still need work and are purely indicative to show funding expended over the [Forward Estimates]. ...

Happy to exchange lists when you're ready.

2.28 Later that same day the department provided the Minister's Office state-by-state spreadsheets that presented the department's data analysis against 25 projects that it had identified, including the 19 proposed in the prior email (above). Each project description was accompanied by information and analysis that included, but was not limited to, whether:

- traffic was forecasted to 'increase further above', 'increase towards' or 'increase but below' the route's capacity;

- it was a major freight route and/or a major commuter corridor;
- the project was on the Infrastructure Australia Priority List and, if so, was considered to be a: High Priority Project; Priority Project; High Priority Initiative; or Priority Initiative; and
- there were planned, existing or prior funding commitments to the project made by state or Australian government.

2.29 On 9 November 2018, the department emailed a package of materials to the Minister's Office and the Deputy Prime Minister's Office, including the department's proposed list of 19 UCF projects. Further work had been done on the project costs and forecasts, with the proposed UCF contribution totalling \$1 billion. The package presented analysis and information in support of the department's claims that the proposed projects would target both freight and commuter congestion in areas of high population growth.

2.30 On 29 November 2018, the Minister's Office requested the department incorporate in its 2 November state-by-state spreadsheets some potential projects the Minister's Office had identified, 'with another column added in to signify how the priority was identified'. The Minister's Office advised that it would then go through the spreadsheets with the Prime Minister's Office and the Deputy Prime Minister's Office, ahead of a related meeting between the Minister for Urban Infrastructure and the Prime Minister.

2.31 The department emailed the Minister's Office the requested spreadsheets on 30 November 2018, which now listed 51 potential projects. According to the added column headed 'Priority identified by': 26 had been identified by the department (of which 12 were recorded as also being a priority of the state government); 24 had been identified by the Minister's Office; and one by the NSW government. Reflecting the limited information provided to the department and the one-day turnaround, the spreadsheets only contained analysis against two of the 24 projects identified by the Minister's Office, as well as against the one project identified by the NSW government.

2.32 Following its consultations, the Minister's Office provided a revised list of potential projects to the department in December 2018. A final list of 39 projects was selected by the Australian Government in January 2019 for allocation of the \$1 billion. Nine of the 39 projects selected had been put forward by the department following its analysis. The funding commitment for one of these nine was withdrawn following state government consultation, on the basis that there were no projects that could be reasonably undertaken along the selected road corridor within the funding proposed. The other eight selected projects put forward by the department proceeded to inclusion on the Schedules to the National Partnership Agreement.

### *Informing the targeting of subsequent funding*

2.33 The provision of departmental analysis thereafter was limited largely to ad hoc advice on individual candidates by request. There were two formal briefings during this period providing departmental advice on lists of potential UCF projects. The turnaround time was four days for the first of these briefings in March 2019 and two days for the second briefing in April 2019. The department's advice on commuter car park projects identified for funding consideration is examined at paragraphs 3.38–3.46.



2.34 One of the potential projects put forward by the department in November 2018 based on its analysis was later selected by the Australian Government in April 2019 for funding commitment under the expanded UCF.<sup>17</sup>

2.35 In total, 155 projects have been selected for funding commitment under the UCF and then listed in the Schedules to the National Partnership Agreement. Of these 155 projects, nine (six per cent) had been put forward by the department.

## Were performance indicators and an evaluation strategy developed during the design phase?

Performance indicators and an evaluation strategy specific to the UCF have not been developed. Instead, the department is relying on the broader Infrastructure Investment Program arrangements.

2.36 Program evaluation can be defined as the systematic and unbiased assessment of the efficiency, effectiveness or appropriateness of government policies or programs. Entities should adopt an early focus on evaluation by developing an evaluation strategy during the design phase of a program.<sup>18</sup> A sound strategy identifies the objectives against which performance is to be evaluated, together with performance indicators for each objective. It also identifies the data sources intended to be used and methods of analysis expected to be applied.

### Evaluation strategy

2.37 The Department of Infrastructure did not develop an evaluation strategy specific to the UCF. The department advised the ANAO in December 2020 that the UCF is incorporated in its Infrastructure Investment Program Monitoring and Evaluation Framework ('M&E Framework') of October 2019.

2.38 Success measures identified in the M&E Framework of particular relevance to the administration of the UCF were:

- At the output level, that projects are delivered in accordance with the NLT Act, the National Partnership Agreement and the Notes on Administration, with an appropriate funding structure and in line with Australian Government policy.
- At the activity level, that:
  - quality policy advice is evidenced based, informed by research and stakeholder consultation;
  - identified priorities align with infrastructure plans and are informed by network analysis;
  - Project Proposal Reports and business case are robustly assessed to inform advice to Government, with a focus on benefits being delivered;
  - advice to Government details project risks and sensitivities to support decision-making; and

<sup>17</sup> A further two potential projects put forward by the department were instead funded outside the UCF.

<sup>18</sup> In April 2021, the department advised the ANAO that: 'As an investment program with funding profiled to 2029–30, where delivery of projects is still being finalised, there are opportunities for the Department to ensure that monitoring and evaluation activities are fit for purpose.'

- governance frameworks and structures in place are enabling appropriate monitoring of project development and delivery.

## Key performance indicators

2.39 Performance measures at the entity, program, sub-program or activity level exist to ensure entities are delivering what they have been tasked by government with delivering and, when reliably measured and reported, provide Parliament with assurance that the investment of public funds has had the desired impact.

2.40 The Department of Infrastructure did not develop key performance indicators specific to the UCF. Rather, as it is able to do under the performance framework set out in the *Public Governance, Performance and Accountability Act 2013*, the department's performance measurement is undertaken at the entity level and reported in the department's Performance Statements

2.41 The UCF is a sub-program of the Infrastructure Investment Program (IIP). The department conducted an internal review of the IIP's performance framework in response to a 2018<sup>19</sup> internal audit recommendation 'that focussed on providing assurance on the department's performance and reporting frameworks and processes, and achieve continual improvements'. The 'Deep Dive Review Infrastructure Investment Program: Performance Criteria Review Report' was completed in December 2019.<sup>20</sup>

2.42 The department's 2019–20 Performance Statements and 2020–21 Corporate Plan include four separate performance measures that capture some outcomes and outputs of the UCF. These are high-level measures that state whether a pre-determined target had been met – they do not report whether a specific program did or did not meet a particular target. The relevant performance measures are the:

- effectiveness measure: 'Number of projects over \$100 million that deliver travel time savings' (as at the October Budget 2020–21, the Australian Government contribution was over \$100 million for seven UCF projects, none of which were commuter car park projects). The cap was reduced from \$400 million in 2019–20 to \$100 million in 2020–21, as recommended in the 'Deep Dive Review' so as to better capture impacts of infrastructure investment road projects;

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19 A similar recommendation was made in a 2016 audit report commissioned by the department: 'In order to reduce the risk that the Infrastructure Investment Programme ("IIP") is unable to effectively measure whether the programme is meeting desired policy outcomes, Internal Audit recommends that the Infrastructure Investment Division:

- put in place a performance framework for the IIP that sets out how the achievement of outcomes will be measured and assessed and how performance information will be collected;
- review the KPIs for the IIP and consider the extent to which they adequately support the measurement of programme outcomes; and
- consider the role of evaluation in the IIP and review arrangements to capture benefits from projects with the sub-programmes that are not immediately realised once the project is completed so that performance can be evaluated in the short and medium term.'

20 On 17 March 2020, the department updated its Audit and Risk Committee on the department's performance reporting. A discussion point in the update related to the findings of the internal review. The Committee was provided with a summary of the main findings and recommendations of the report, as well as a copy of the report. The department recommended that the Committee 'Note' the findings of the report.

- the target is that 100 per cent of projects for which travel time savings are a significant planned benefit will deliver travel time savings;
- output measure: ‘Number of jobs supported over the life of projects, from infrastructure investment projects underway during the financial year (based on proponent reported data)’;
  - there is no target;
- output measure: ‘Progress of land transport infrastructure investment projects’;
  - 2020–21 target is that projects are progressed in accordance with agreed timeframes.

2.43 The high-level performance measures do not sufficiently measure the performance of the UCF against its policy objectives or whether the department was delivering the Fund in line with the government’s intent.

### **Project data and evaluations**

2.44 Evaluation activities are underpinned by data captured during a project’s lifecycle and/or collected on project completion. By improving the consistency, quality and accessibility of data, the introduction of the Reporting and Program Management system is expected to benefit the evaluation process (see further at paragraphs 2.69–2.70).

2.45 The Notes on Administration outline that, during the post-completion phase of a project, the department will ‘undertake an initial evaluation of project outcomes, reviewing costs and outstanding expenditure items, and the performance of the asset against its objectives, with reference to agreed performance indicators’. They also outline that funding recipients agree to cooperate in the evaluation of projects and may be required to provide information to assist in evaluation.

2.46 Funding recipients are required by the National Partnership Agreement to submit a post-completion report within 12 months of the completion of each project. The post-completion report template is common across projects. A related finding of a July 2018 review<sup>21</sup> of the National Partnership Agreement then in place was:

The 12-month post completion report required by the NPA [National Partnership Agreement] focuses on construction completion rather than benefits assessment. The data gathered by the Commonwealth in the post completion report provides a limited view of a project’s achievement of the objectives and outcomes and is not used by the Commonwealth for evaluation purposes.

2.47 The only change made to the post-completion report template following the July 2018 review was to substantially expand the reporting against Indigenous employment and business

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21 In 2018 the Department of Infrastructure engaged Ernst & Young to undertake a review of the National Partnership Agreement on Land Transport 2013–14 to 2018–19 in accordance with clause 53 of that Agreement.

participation targets. This expansion reflected the introduction of the Indigenous Employment and Supplier-Use Infrastructure Framework, February 2019.<sup>22</sup>

2.48 None of the commuter car park projects had reached post-completion reporting phase by 31 December 2020. The department advised the ANAO in April 2021 that the department ‘will ensure that all projects under the commuter car park program comply with reporting requirements post-completion.’

### Recommendation no. 1

2.49 When establishing funding programs for inclusion in the Infrastructure Investment Program, the Department of Infrastructure, Transport, Regional Development and Communications develop an implementation plan, performance indicators and an evaluation strategy specific to the funding program.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

2.50 *The Department will consider the elements of the new program streams and develop an implementation plan, performance indicators and/or evaluation strategy specific to the new program where existing tools and practices are not appropriate.*

## Were the records of the design and delivery of the Fund appropriately managed?

The majority of the records of the design and delivery of the Fund were not being appropriately managed within a records management system. In response to record keeping issues raised by the ANAO, in late 2020 the department initiated actions to address non-compliance with departmental and Australian Government record keeping policies. The department was also in the final stages of replacing its existing IT system for administering the Infrastructure Investment Program, which it expects will improve data management.

2.51 Australian Government entities are legally required to manage information in a manner which properly records and explains their performance. Managing and storing information, data and other records in the right place and the right way means they will be protected and easily found. Effective information management supports accountability and transparency, and enables informed decision-making.

2.52 To help staff understand and meet the Australian Government record keeping requirements, the Department of Infrastructure’s corporate documents included a:

- Departmental Records Management Framework dated April 2015; and

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22 The Indigenous Employment and Supplier-Use Infrastructure Framework requires states and territories to develop Indigenous Participation Plans for National Partnership Agreement projects (including UCF projects): receiving \$7.5 million or more in Australian Government contributions; where construction stage funding is formally approved under the NLT Act; and that are publicly tendered from 1 July 2019. It may also apply in some circumstances for projects below \$7.5 million with strong potential to support Indigenous participation. See also Auditor-General Report No.34 2019–20 *Aboriginal and Torres Strait Islander Participation Targets in Intergovernmental Agreements*.

- Departmental Recordkeeping Policy dated March 2016.

2.53 While the corporate record keeping documents were scheduled to be reviewed ‘every two years, or earlier if required’, the Framework was four years overdue for review and the Policy three years overdue. The department advised the ANAO in November 2020 that it was ‘revising existing Recordkeeping Policies and frameworks and considering contemporary views on content, document and records management to ensure a comprehensive and clear set of policies and staff guidance’. As at 10 May 2021, a revised Framework and Policy had not been released.

## Maintaining records

2.54 The Departmental Recordkeeping Policy required that:

All departmental records are to be created and maintained within the EDRMS [Electronic Document and Records Management System] ...

Records **must not** be maintained in shared folders, network drives, hard drives or temporary document folders. These electronic storage facilities do not provide recordkeeping functionality to ensure that records will be captured and maintained for appropriate timeframes. They are unable to provide controlled access to, and evidence of, business activities over time. *[Emphasis as per original]*

2.55 The majority of the records relating to the UCF were not created and/or maintained within the EDRMS. The majority of the records were instead created and maintained in a network drive — called the ‘G Drive’. For example, in respect of the records of the department’s administration of the Victorian-based commuter car park projects, as at 29 September 2020:

- one (draft) record was saved in one file within the EDRMS; and
- 622 records were saved across 232 sub-folders within the G Drive.

2.56 As stated on the National Archives of Australia website, ‘Network drives can’t manage information and records to meet Australian Government or international standards ... A network drive isn’t a records management system’.

2.57 There were also occasions where UCF records were being maintained in officer email accounts instead of being saved to the EDRMS as soon as practical after receipt. Due in part to the insufficiencies of the files in recording and explaining the department’s performance with regard to the UCF, the ANAO obtained extracts of 72 infrastructure.gov.au email accounts to inform this audit.

## Findings of a 2016 internal audit

2.58 The UCF is a sub-program of the Infrastructure Investment Program managed by multiple teams across the Infrastructure Investment Division. An internal audit of the Infrastructure Investment Program had identified that the G Drive was being used for the day-to-day management of program information and had outlined the associated risks to the department. The internal audit report of September 2016 contained a three-part recommendation designed to ‘reduce the risk that records cannot be efficiently managed or located’. In support of this recommendation, the internal audit report outlined that:

within the various G Drive folders across the IIP there is a significant volume of information which doesn’t appear to follow a logical structure or naming convention. Records observed on the G Drive included duplicates of procedures ... (including previous and potentially modified versions), duplicated framework and other documents across multiple branches folders, various spreadsheets, and

documents dating back to the year 2000. The sheer volume of records and lack of structure in the folders made the G Drive difficult to navigate. We note that it may also present significant challenges for new staff and other persons not familiar with the location and/or structure of a particular sub folder. In addition to the risks identified ... by the NAA [National Archives of Australia], there is an additional risk in respect of succession planning, particularly when only a limited member of staff are familiar with the location of certain documents. A lack of structure in recording electronic information may also impact on the efficiency of staff in administering the IIP [Infrastructure Investment Program].

2.59 The internal audit recommendation of September 2016 was ‘closed’ on 1 March 2018. The material provided by the Infrastructure Investment Division to the department’s Audit and Risk Committee in support of the recommendation’s closure included that ‘A project is in train to clean-up the divisional G:Drive, scheduled for completion in March 2018’.<sup>23</sup>

2.60 In 2020, the ANAO audit team experienced the challenges navigating the G Drive as had been described (above) by the Department of Infrastructure’s internal auditors some four years earlier. As at December 2020, there were 1.3 million records maintained across some 179,000 sub-folders within the Infrastructure Investment Division’s G Drive folder.<sup>24</sup>

### *Actions to improve record keeping practices*

2.61 In October 2020, the ANAO asked the department to ‘Advise what action will be taken to end the practice of teams in the Infrastructure Investment Division creating and maintaining records in a way that is non-compliant with the Department’s recordkeeping policy as well as Australian Government policies’. The department outlined a number of actions in November 2020 and updated the ANAO on its progress in December 2020 and April 2021. Actions included, but were not limited to:

- an email to all Infrastructure Investment Division staff reminding them of the importance of compliant record keeping practices and providing an overview of the key requirements and guidance materials;
- setting the existing folder structure in the Division’s G Drive to ‘read only’ and developing container structures in the EDRMS for use;
- record keeping training specific to the Division provided to existing staff and to be built into the induction process for future staff;
- increasing delivery of department-wide training to ensure staff understand their obligations; and
- initiating a project to upgrade and consolidate the Department’s record management systems.

### **Managing data**

2.62 The delivery of the Infrastructure Investment Program, including the UCF projects, is supported by an Infrastructure Management System known as IMS. It provides three main areas of administrative support:

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23 While Auditor-General Report No.6 2019–20 examined the implementation of ANAO and Parliamentary Committee recommendations in four entities, including the Department of Infrastructure, it did not examine the implementation of internal audit recommendations.

24 These figures exclude folders identified as having been copied to the department’s EDRMS.

- project management — by facilitating the approval process, variations and acquittal;
- financial management — by facilitating milestone reporting and payments; and
- management reporting — by enabling reports to be generated.

2.63 The IMS is a web-based database application, which was implemented in 2007. As with other information created and received in connection with Australian Government business, data and datasets retained in business systems like the IMS are Australian Government records and must be managed in accordance with the *Archives Act 1983*.

### *Recommendations made in 2016–17*

2.64 The internal audit report of September 2016 observed that there were a number of limitations with the IMS. Specifically, the:

- IMS is not an end-to-end system for the management of Infrastructure Investment Program projects;
- IMS does not allow project managers to generate their own reports; and
- users do not trust the data in the IMS.

2.65 The internal auditors made a management improvement suggestion for the department to undertake a functional review of the IMS to determine whether it adequately supported the Infrastructure Investment Program and to ‘identify any risks associated with the current approach of automated and manual processes’.<sup>25</sup>

2.66 Also in late 2016, the Department of Infrastructure procured an analysis of the systems and processes that supported the Infrastructure Investment Program. The consultancy firm recommended that the department ‘investigates the capability of the IMS system to support all business needs, especially those around information and data storage, management and reporting’. It also recommended that the department ‘perform a gap analysis between the IMS and government record keeping requirements’. The firm had noted in its report that none of the methods used for Infrastructure Investment Program data storage (at that time) met the ‘obligations under the Archives ACT 1983, Digital Continuity 2020 and the [departmental] Record Keeping Framework and Policy, and risks non-compliance with the Freedom of Information (FoI) Act and the Protective Security Policy Framework (PSPF).’

2.67 In June 2017, the Joint Committee of Public Accounts and Audit made the following recommendation in its *Report 462: Commonwealth Infrastructure Spending*:

The Committee recommends that the Department of Infrastructure and Regional Development undertake a review of the Infrastructure Management System to identify ways in which to:

- record additional information about the reasons for milestone payments and revisions;

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25 The ANAO’s performance audit of the WestConnex project, which is funded through the Infrastructure Investment Program, highlighted the importance of being able to rely on the information collected through the IMS and the need for the department to review its processes for collecting and validating project proponent expenditure reporting. The Auditor-General Report tabled in February 2017 did not make a recommendation in respect to reporting information held by the IMS, in light of the management improvement suggestion made by the Department of Infrastructure’s internal auditors in September 2016. See paragraphs 2.39–2.43, Auditor-General Report No. 38 2016–17 *The Approval and Administration of Commonwealth Funding for the WestConnex Project*.

- improve the quality of data submissions, including controls and data validation approaches; and
- capture information on incremental and cumulative project expenditure by the entities responsible for delivering projects.

2.68 The Department of Infrastructure's December 2017 response to the above recommendation was: 'The Department is undertaking a review of the business information and communications technology systems'.

### *Infrastructure Investment Transformation Program*

2.69 In November 2018 the department's Executive Board gave approval to proceed with a program of reforms, which became known as the Infrastructure Investment Transformation Program. It was to deliver, for example, better practice end-to-end business processes and high-quality data collection to inform Infrastructure Investment Program management and decision-making. A key component was the replacement of the IMS with an end-to-end program management system called the Reporting and Program Management (RPM) system. In terms of data management, expected benefits include improved consistency, quality and accessibility of data at the project and program levels.

2.70 As at 31 March 2021, the RPM system was in the final stages of development with an expected release date of July 2021. The ANAO was not, therefore, in a position to examine the extent to which the RPM has improved the management of program data and other records. The Department of Infrastructure will obtain some assurance in this regard through its internal audit activities. A two-phase internal audit of the implementation of the Infrastructure Investment Transformation Program commenced in 2020, with: phase one assessing the key project risks, governance, controls and risk mitigation strategies; and phase two being a series of three deep dives into higher risk areas. The department's potential internal audit topics for 2021–22 include ascertaining compliance with the business processes, practices and delegations associated with the implementation of the RPM.

### **Making records**

2.71 The initiatives the department has in train have the potential to improve the manner in which Infrastructure Investment Program records are kept and data is managed. It is less clear that they will resolve some shortcomings in the making of records. For example, emails extracted from the archive records of individual accounts were the primary source of evidence for some audit findings. There would have been benefits if these emails were instead saved into the records management system. Without associated improvements, however, tools and capabilities for analysing large volumes of unstructured data would still have been required to piece together the events.

2.72 To ensure the department's initiatives also improve how records are made, the ANAO has made an audit recommendation about record keeping. The recommendation reflects Principle 2 'Necessary business information is created' of the *Information Management Standard for Australian Government*.<sup>26</sup>

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26 The *Information Management Standard for Australian Government*, and guidance on how to implement each of its eight principles, is available from the National Archives of Australia website at <https://www.naa.gov.au/>.



## Recommendation no. 2

2.73 The Department of Infrastructure, Transport, Regional Development and Communications' improvements to Infrastructure Investment Program record keeping include ensuring good quality business information that is fit for purpose is created, which means that it:

- contains sufficient detail to meet current business needs and can be understood by others in the future;
- is accurate; and
- is created in a format that enables efficient business processes and maximises its potential for use and reuse.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

2.74 *The Department is already undertaking action including the following actions within the Infrastructure Investment Division:*

- *reminders to all staff within the Infrastructure Investment Division have issued with a direction to adhere to requirements in relation to recordkeeping;*
- *provision of recordkeeping training sessions specifically for IID staff, with the intent that every officer will be required to undertake training. Specific training sessions held for the Division to ensure staff had the requisite skills to comply with their obligations was delivered to 132 staff;*
- *anyone that did not attend a training session held specifically for the Division, including new starters, are required to enrol and complete a training session through the Department's LearnHub. Attendance is also included as part of the Induction Checklist which is monitored by the Business Management Unit;*
- *incorporated adherence to recordkeeping policies in performance discussions for SES officers;*
- *the Business Management Unit prepares monthly "heat maps" that indicate utilisation of the Department's EDRMS; and*
- *monitoring of use of areas of G drive that have not been closed to new records to ensure compliance with use of the EDRMS.*

2.75 *At a Departmental level, actions undertaken include:*

- *reviewing the existing Record Keeping policies and drafting a single policy document which is currently under review before being endorsed and published;*
- *increasing delivery of department-wide training to ensure staff understand their obligations;*
- *initiating a project to upgrade and consolidate the Department's record management systems; and*
- *updating staff guidance on the Department's intranet relating to records management practices.*

### 3. Project identification and selection

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#### Areas examined

The ANAO examined whether an appropriate approach was taken to identifying and selecting commuter car park projects for Australian Government funding commitment.

#### Conclusion

The department's approach to identifying and selecting commuter car park projects for funding commitment was not appropriate. It was not designed to be open or transparent. The department did not engage with state governments and councils, which increased the risk that selected projects would not deliver the desired outcomes at the expected cost to the Australian Government. Departmental advice did not contain an assessment against the investment principles or policy objectives and it was not demonstrated that projects were selected on merit. The distribution of projects selected reflected the geographic and political profile of those given the opportunity by the government to identify candidates for funding consideration.

#### Area for improvement

The Department of Infrastructure should proactively progress implementation of program arrangements that are agreed by government, such as agreement to engage stakeholders, use an evidence-based process and publicly release materials.

Early engagement with state governments and proposed council delivery partners would have increased the likelihood that the projects selected would be delivered as intended and in a timely manner.

3.1 Under the Infrastructure Investment Program arrangements, the Australian Government may commit funding to an investment project<sup>27</sup> at any time for any phase based on information it deems appropriate. Committed funding to a project will be listed in the Schedules to the National Partnership Agreement.<sup>28</sup> Projects may be listed individually or collectively.

3.2 The announcement of committed funding, and its inclusion in a Schedule, reflects the Australian Government's commitment to a project but is not a guarantee of funding. As discussed in Chapter 4 of this report, funding must be subsequently approved by the Minister in accordance with the relevant legislation.

3.3 The ANAO examined the approach taken to identifying and selecting commuter car park projects for funding commitment. The ANAO's assessment of the overall appropriateness of the department's approach was considered with reference to whether it:

- was designed to identify and select those projects likely to maximise the achievement of the policy objectives within the available funding; and
- promoted open, transparent and equitable access to funding opportunities.

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27 The term 'investment project' is used in this report to distinguish the arrangements for projects intended for approval under Part 3 'Investment Projects' of the *National Land Transport Act 2014* (such as the UCF projects) from those for approval under other Parts of the Act (such as the Roads to Recovery and Black Spot projects).

28 The current and past Schedules to the National Partnership Agreement are available at <https://www.federalfinancialrelations.gov.au/content/npa/infrastructure.aspx>.

## What was the authorisation process for, and the timing of, the selection decisions?

The selection of 47 commuter car park sites for funding commitment were decisions of government taken over the period January to July 2019 and:

- effected in 38 cases (81 per cent) by the written agreement of the Prime Minister to a written request from Ministers;
- effected in seven cases (15 per cent) by the election commitment process; and
- in two cases (four per cent) the department had not evidenced how the funding commitment was effected, beyond email advice from the Minister's Office and a media announcement by the Prime Minister.

3.4 Projects for funding commitment under the UCF were to be identified and selected by government, using a non-competitive and non-application based process (see paragraph 2.7). There was no call for submissions under the UCF and no information on the department's website as to how candidate projects would be identified. The ANAO examined the authorisation process for, and the timing of, the selection decisions taken in respect of the commuter car park projects.

### Authority for selection decisions

3.5 The 2019–20 Schedules to the National Partnership Agreement documented the Australian Government's commitment of \$625 million towards 44 UCF projects, which involved the upgrading of 47 identified commuter car park sites.

3.6 For 38 of the sites selected (81 per cent), the government's decision was effected through the written agreement of the Prime Minister to written requests from, or in consultation with, the Minister for Finance, the Treasurer, the Deputy Prime Minister and the Minister for Urban Infrastructure. The written agreements provided the authority to commit funding to projects that had been selected via consultations between the Minister for Urban Infrastructure, the Deputy Prime Minister and the Prime Minister and/or their offices.

3.7 Seven of the 47 sites selected (15 per cent) were authorised through the process applicable to the funding of election commitments.

3.8 In respect to the remaining two sites (being Gosford and Mitcham which constitute four percent of projects selected), the departmental records of the authority for their selection were incomplete. For Gosford, it was not evident at which point in time the project was authorised:

- On 11 January 2019, the Prime Minister agreed to a list of projects proposed by the Deputy Prime Minister and the Minister for Urban Infrastructure which did not include Gosford.
- In March 2019, the department asked the Minister's Office about its reference to Gosford when requesting an amendment to a draft announcement package as the department did not have it listed as an approved project. The Minister's Office responded that Gosford was one of the car park projects.
- The Department of the Prime Minister and Cabinet subsequently asked the Department of Infrastructure on 14 March 2019 to confirm whether Gosford was part of the originally agreed package of projects, an addition to that package or a separate new addition. The department responded that 'Gosford is part of the car park package'.

- On 27 March 2019, the Prime Minister announced funding for commuter car parking at Gosford.

3.9 In relation to Mitcham, the Minister's Office emailed the department on 31 January 2019 advising that the Prime Minister's Office had given approval for the site. In February 2021, the ANAO asked for evidence of the authority to select this car park site. In response, the department provided a copy of the joint media release by the Prime Minister and the Minister for Urban Infrastructure dated 7 February 2018 (announcing funding for six sites including Mitcham) and advised:

There is precedent established by the Department for the Prime Minister and Cabinet that a media announcement by the Prime Minister constitutes relevant authority to progress a project.

### **Timing of decisions and announcements**

3.10 The sequence of selection decisions taken is outlined in Table 3.1, with key events included for context. The amount of Australian Government funding committed at the time of selection is also outlined.

**Table 3.1: Sequence of decisions for the 47 commuter car park sites selected**

Key dates	Selection decision authorisation process	Decision taken	Running tally	
		(car park element only)	Sites	Funding
8 May 2018	The 2018–19 Federal Budget, which established the Urban Congestion Fund			
11 January 2019	Exchange of letters between Ministers and the Prime Minister	11 car park sites selected for \$103 million <sup>a</sup>	11	\$103 million
31 January 2019	Email to the department from the Minister's Office advising of an approval from the Prime Minister's Office	Removal of one of the sites previously selected (at Heatherdale for \$15 million)	11	\$103 million
7 February 2019	Announcement by the Prime Minister	One car park site selected for \$15 million.		
24 March 2019	Exchange of letters between Ministers and the Prime Minister in the context of settling the 2019–20 Federal Budget	One car park site selected for \$16 million	12	\$119 million
27 March 2019	Announcement by the Prime Minister	One car park site selected for \$30 million	13	\$149 million
2 April 2019	The 2019–20 Federal Budget, which established the Commuter Car Park Fund			
10 April 2019	Exchange of letters between Ministers and the Prime Minister	27 car park sites selected for \$389 million, which included the Heatherdale site previously removed	40	\$538 million
11 April 2019	The Australian Government assumed a caretaker role			
29 May 2019	New Ministry sworn in			
21 June 2019	Return of writs			
5 July 2019	Election commitment authority letter from the Prime Minister	Seven car park sites announced as Coalition election commitments selected for \$87 million <sup>b</sup>	47	\$625 million

Note a: A twelfth site (at Tuggerah in NSW) was authorised through the exchange of letters but, as at 31 March 2021, has not been announced or included in a Schedule to the National Partnership Agreement.

Note b: An eighth site (at Officer in Melbourne) was announced as a Coalition election commitment but the funding commitment was not authorised before 31 March 2021 and so is outside the scope of this audit analysis.

Source: ANAO analysis of Department of Infrastructure records.

3.11 Projects were announced following their selection<sup>29</sup>, except for an upgrade to the car park at Berwick station which was announced a few days prior to the authority being obtained. Reflecting the timing of decision-making, while only 15 per cent of the projects were election commitments, 70 per cent were announced during the 2019 Federal Election caretaker period.

29 Once a funding commitment is authorised and announced, the project details are published on the 'investment.infrastructure.gov.au' website. The website is updated when a project's status changes or to reflect any subsequent decisions taken.

## Election commitments

3.12 The results of the ANAO's analysis as to the number of projects selected as election commitments differed from the Department of Infrastructure's. As expressed to the ANAO, and as reflected in its responses to related questions from the Parliament, the Department of Infrastructure considers the majority of the commuter car park projects to be election commitments. Departmental advice to the ANAO on this matter in April 2021 was:

The Prime Minister decided on 44 projects, including 27 commuter car park projects, the day before the caretaker period commenced on 11 April 2019. These projects were subsequently publicly committed to during the election campaign. These are election commitments and the Department is implementing them in the same way as all election commitments and as it would for any Government.

In addition there were a further 7 commuter car park projects announced during the election period.

Further to these decisions of Government and public commitments made during the election campaign, all commuter car park projects are included in quarterly reporting to the Prime Minister updating progress on implementation of election commitments. This includes commuter car park projects decided on by the Prime Minister on 11 January 2019 and announced prior to the 2019-20 Budget. This is a critical clarification to make and impacts on the analysis presented ...

3.13 The ANAO's analysis does not support the view expressed by the Department of Infrastructure that the 27 commuter car park projects decided upon by the Prime Minister on 10 April 2019 were election commitments. On 10 April 2019, the government had not entered a caretaker role. The decision in relation to those 27 commuter car park projects was authorised in writing by the Prime Minister on 10 April 2019 following written advice, and a consultation process, involving the Minister for Finance, the Treasurer, the Deputy Prime Minister and the Minister for Urban Infrastructure. Reinforcing that those 27 projects reflected a decision taken by government but not yet announced, the funding commitment to the 27 commuter car park projects was then included in the *Pre-election Economic and Fiscal Outlook 2019* report. As per the *Charter of Budget Honesty Act 1998*:

24 (2) The information in the report is to take into account, to the fullest extent possible, all Government decisions, and all other circumstances, that:

(a) may have a material effect on the fiscal and economic outlook; and

(b) were made, or were in existence, before the issue of the writ for the general election.

3.14 In July 2019, following a return to government, an Election Commitment Authority letter signed by the Prime Minister provided authority to progress the Urban Congestion Fund related election commitments outlined in *Our Plan to Deliver Budget Surpluses Without Increasing Taxes*. In relation to commuter car park projects, it outlined seven (only). These seven correspond with the seven projects identified by the ANAO to be election commitments, with the Election Commitment Authority letter not including other projects where the department advised the ANAO it considers to be election commitments.

## Subsequent decisions

3.15 The selection decision taken by government is part of the authority for the project. A further decision is usually required for authority to vary the project scope, exceed the funding commitment

or to cancel a funding commitment. As documented in the 2020–21 Schedules to the National Partnership Agreement, decisions taken subsequent to those outlined in Table 3.1 have resulted in:

- a decrease in the number of identified commuter car park sites from 47 to 45; and
- an increase to the total funding commitment from \$625.0 million to \$660.4 million.

3.16 Further decisions are expected to be taken as the scoping phase of projects are completed and the results considered by government. For example, in April 2021 the Australian Government decided to:

- revise the scope of the Northern Line sites and delegate authority to the Minister for Communications, Urban Infrastructure, Cities and the Arts to determine the location of up to 10 additional car park sites;
- provide \$5 million in funding for commuter car parking at Officer as a new site on the Pakenham Line in Victoria (to be fully funded by the Australian Government);
- provide a total of \$87.8 million in additional funding to five existing projects; and
- cancel five car park sites with \$51.3 million in unspent funding to be reallocated (with one of these cancellations subsequently reversed in May 2021).

3.17 The ANAO's analysis outlined in this Chapter focuses on the identification and selection of the 47 identified sites for an initial funding commitment of \$625 million, as this population best reflects the processes established for the UCF.

### Was there appropriate engagement with state and council delivery partners to identify projects and manage risk?

There was not appropriate engagement with state and council delivery partners to identify candidate projects by the department. The limited engagement that did occur was by the Minister's Office with some states and by Parliamentarians or candidates with some councils. The associated risk of selecting projects that were not feasible given site constraints or costs, or were not supported or co-funded by the intended delivery partner, was realised in some cases.

3.18 The avenues for identifying projects outlined in the agreed governance arrangements for the UCF included engagement with state, territory and local governments ('states' and 'councils'). The states and councils are the delivery partners to the Australian Government for approved commuter car park projects.<sup>30</sup> The states are the only eligible recipients of the funding and they pass on payments to council delivery partners where applicable. The states and/or councils own and maintain the funded car parks, as well as the essential related-infrastructure, such as the footpaths, roadways and train stations.

3.19 The department did not put in place a process for engaging with states and councils on the identification of candidate projects, nor did it recommend a process to the Minister (see paragraphs 2.14–2.17). The department did engage with state and council delivery partners throughout the

<sup>30</sup> The department records indicated that, as at March 2021, the delivery partner or 'likely' delivery partner was a state agency for 25 sites and a council for 13 sites, with the remainder to be determined.

funding approval and delivery stages (which are examined in Chapters 4 and 5) after project selection decisions were announced by government.

## Engagement with states

3.20 The department did not engage with states to identify candidate commuter car park projects.

3.21 There was consultation between the Minister's Office and a NSW Minister's Office, which was one of the avenues used to identify candidate projects (see paragraph 3.53). In addition, the Western Australian Government successfully sought co-funding for one car park project but advised the ANAO that it had been unaware of the Commuter Car Park Fund at the time. South Australia successfully sought funding for other types of UCF projects.

3.22 The records indicate there was no material engagement with states on the identification and selection of commuter car park projects, other than with New South Wales. A lack of engagement was expressed in the audit input the ANAO received from some state government agencies. For example, agencies variously advised the ANAO that:

- The [state agency] was not consulted in the ... selection of projects, prior to the announcement of projects by the Australian Government. ... There was no formal engagement process with [the state agency] to identify potential projects for funding under the Urban Congestion Fund – Commuter Car Park Fund.
- [The state government and state agency were not] consulted on selection of Commonwealth's car park commitments, funding allocations and project appraisal/merit. These decisions were unilaterally made by the Commonwealth and announced in the context of the 2019 Federal Election.
- Departmental staff were not alerted to details of the commuter car park fund within the Urban Congestion Fund and ... there is no detail on the [Department of Infrastructure] site about the Commuter car parks so we were unable to find out whether we were eligible to apply.
- More consultation could have occurred and as a result a broader suite of projects could have been canvassed and selected for funding.

3.23 A state Minister had written to the federal Minister for Urban Infrastructure in March 2019 about the lack of engagement on the UCF, including:

I am disappointed that the Australian Government did not consult with the [state] Government to determine priorities for congestion-busting projects on state-controlled transport infrastructure. This is particularly concerning given that the new UCF initiative is based on a 50:50 funding arrangement. Further, it remains unclear whether commitments to local government-controlled roads were the subject of prior consultation ...

Additionally, it is clear that the commitments made by the Australian Government on this occasion were made in the absence of any consideration of relative priority, and it remains unclear what methodology was used in selecting candidates for receipt of UCF funding. ...

I request that the Australian Government commit to frequent and timely consultation ...

3.24 Shortly after the above letter was received, the Department of Infrastructure provided the Minister advice on additional candidates for funding that the Australian Government had identified



for that state. The department noted as a 'sensitivity' that the state government had 'expressed disappointment that they were not consulted in advance of [previous] decisions, and could be expected to do so again.'

## Engagement with councils

3.25 The department did not engage with councils to identify candidate commuter car park projects. There was engagement with some councils by some of the Federal Members or other 'colleagues' that put forward candidates for funding consideration (see paragraphs 3.55–3.56). The records indicate that the 'colleagues' had consulted with, or sourced information from, at least seven councils for 16 of the car park sites put forward but are unclear as to whether these councils were aware of the UCF funding request.

3.26 There are also indications in the records that there had been no engagement at any level with some councils prior to a project in their local government area being announced. This finding was consistent with the audit contribution<sup>31</sup> received from the National Growth Areas Alliance (NGAA), which is 'the peak body for local governments in Australia's outer urban growth areas'. According to the NGAA:

the process for distribution of funds was never made clear to potential recipients ...

Advice from our Member Councils indicates that very few car park projects had been identified as local priorities and that, in the majority of cases, the announcement of project funding took Council by surprise.

Given the lack of consultation or transparency in the decision-making process, we believe the approach taken was neither appropriate nor effective ...

NGAA's understanding is that little, if any, local advice was sought on the choice of locations for commuter car parks.

## Associated risks

3.27 Risks associated with identifying projects without engaging delivery partners include that selected projects would not be: feasible given site constraints; feasible within the funding commitment; supported; or co-funded. Each of these risks was realised.

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31 The ANAO welcomes members of the public contributing information for consideration when conducting performance audits. The ANAO website shows the status of audits and invites members of the public to contribute during the evidence gathering phase of each audit.

3.28 As at 31 March 2021, decisions had been taken by the Australian Government not to proceed with the commuter car park projects at Brighton Beach station and at South Morang station in Victoria. According to departmental advice to the Minister, ‘both of these projects face significant constraints’ and the state government indicated it would ‘not act as the delivery agent’.<sup>32</sup> There were decisions pending as to whether to proceed with some other projects, primarily due to site constraints and/or cost.<sup>33</sup>

3.29 Decisions had also been taken to increase the funding commitment for eight of the car park projects by a total of \$39.7 million (48 per cent).<sup>34</sup> Further decisions are pending due to project costings exceeding funding commitments.<sup>35</sup>

3.30 The Australian Government’s funding commitment to the commuter car park projects was predicated on the states and councils providing a matching contribution.<sup>36</sup> As at 31 March 2021, authority had been obtained for the Australian Government to fully fund 29 of the commuter car park projects (62 per cent). That is, to no longer require a co-contribution from the delivery partner, which does not necessarily equate to the Australian Government increasing its funding amount. The recorded reason for the decision was in:

- 18 cases that ‘This project is not an urgent priority for the Vic Govt and it is not intending to co-fund’;
  - for one of these, a subsequent record of authority stated, ‘Project to be delivered by [...] Council. Council is not intending to co-fund at this point’;
- eight cases ‘To give effect to announcement and prevent project delay’;

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32 In its June 2021 response to the ANAO on an extract of the proposed audit report, the Victorian Department of Transport (DOT) clarified that the comments in this paragraph had not come from the State. DOT’s response to the ANAO included:

- In regards to South Morang station, the State does not agree with the assessment that this project faced ‘significant constraints’. During the early development of options for this site, DOT advised the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) that an opportunity existed for formalising an existing informal gravel car commuter car park at South Morang that is current leased by the State. DITRDC advised DOT that it did not wish to pursue options at South Morang further.
- In regards to the comment in the report that: “the state government indicated it would ‘not act as the delivery agency’”, DOT notes that this would appear to be referring to views from DITRDC. DOT is concerned that this could be interpreted as the State having refused to deliver these projects. For the purpose of clarity DOT can advise that this was not the case. Decisions on whether or not to proceed with their commitments were a matter for the Australian Government.

DITRDC formally confirmed to the State on 28 May 2021 that the Australian Government has decided to no longer pursue its commuter car parking commitments at South Morang and Brighton Beach stations.

- 33 As at 5 May 2021, the Australian Government had decided to cancel a further four projects and reallocate the \$42.2 million of unspent funding committed to those projects. As at 31 March 2021, the four projects had been approved for the scoping phases and paid a total of \$1.9 million in Australian Government funding.
- 34 One of these eight decisions was to reallocate \$4.3 million from the cancelled Brighton Beach project to the North Brighton project, thereby increasing the funding for North Brighton from \$2.6 million to \$6.9 million.
- 35 On 15 April 2021, the Australian Government decided to commit additional funding of \$87.8 million to five existing car park projects and provide \$5 million in funding to a new site on the Pakenham Line in Victoria (to be fully funded by the Australian Government).
- 36 The Australian Government’s commitment to infrastructure investment projects is nominally predicated on a contribution of 50 per cent in urban areas and 80 per cent in regional areas. The commuter car park projects were to address congestion in urban areas.

- two cases that 'The Victorian Government is not intending to co-fund'; and
- one case due to the intention 'to deliver this project as part of the North East Link construction' (the record did not explain this reasoning further).<sup>37</sup>

### Is there evidence that projects were selected based on merit against the investment principles and achievement of the policy objective?

Neither the department's advice nor the recorded reasons for selection outlined each project's merits against the investment principles or how each project would contribute to achieving the policy objective of the UCF. As a result, there is little evidence to demonstrate that the selection of commuter car park projects was based on assessed merit against the investment principles or achievement of the policy objective.

3.31 Value for money is promoted where the projects selected will individually deliver the desired outcomes and will collectively maximise the achievement of the policy objective within the funding available. Entities can help government decision-makers achieve this by providing informed advice on the individual and relative merits of candidate projects in terms of the selection criteria and the policy objective. Transparency and accountability of government decision-making is promoted by recording the information on which selection decisions were based and the substantive reasons for the decisions. The process for identifying candidate projects to put forward for consideration should obtain sufficient information on each to enable an informed merit assessment and selection decision.

### Investment principles and policy objective

3.32 In lieu of merit selection criteria and program guidelines, the governance arrangements for the UCF agreed by government in October 2018 included a set of investment principles that were to be publicly released. The investment principles were:

- **Focussed on investment on high value works:** Investment would be on road and road-related upgrades in urban areas targeting both freight and commuter congestion challenges. Corridors that provide access to key transport destinations, such as ports, airports and employment centres would likely be priorities for investment.

37 Of the 29 projects referred to in this paragraph, eight were located in New South Wales and the other 21 were in Victoria. In its June 2021 response to an extract of the proposed audit report, the Victorian Department of Transport (DOT) advised the ANAO:

These commuter car park commitments were made unilaterally by the Australian Government at the 2019 Federal Election. As the ANAO report notes, these were made unilaterally and without discussion with the State. It was always the State's expectation that the commitment would be wholly funded by the Australian Government. At no stage did the DITRDC ask the State to co-fund its commitments. ...

Some of the commitments made by the Australian Government were at station locations where the State was already pursuing a project of its own (Hurstbridge, Craigieburn, Seaford, Beaconsfield, Eltham, Pakenham and Frankston), albeit often for a different number of spaces or scope. Again, there was no engagement by the Australian Government with the State prior to these commitments, nor was it evident whether these commitments were for additional projects (i.e. another additional car park) or not. ...

- **Smaller scale and co-funded:** Projects are expected to be relatively small — likely around \$5 million to \$50 million, although no upper limit would be set — with matching funding required from state, territory or local governments or the private sector.
- **Driven by evidence:** The selection and submission process and the design of projects would be based on addressing problems identified through an evidence based process where the benefits of the project could be clearly defined.
- **Encourage innovation:** The initiative should encourage innovative solutions, including from or in partnership with private sector stakeholders.
- **Support wider urban development:** This would include ensuring that projects complement City Deals and urban redevelopment projects.

3.33 The investment principles were not released; an approach inconsistent with transparency and accountability in funding decision-making.<sup>38</sup>

3.34 The ANAO was unable to identify a subsequent decision taken to withhold public release. The ANAO therefore asked the Department of Infrastructure in November 2020 for a copy of the records of the Australian Government's decision not to release the UCF investment principles. The department's response of December 2020 indicated that no decision to withhold release had been taken.

3.35 As the entity responsible for program implementation, the Department of Infrastructure should have proactively engaged with the Minister on a process for releasing the investment principles.

3.36 The department's response of December 2020 to the ANAO had concluded:

In answering a question on the criteria and process to be adopted in allocating investment under the UCF (House of Representatives Question on Notice 1138, PDMS reference PQ18-000048, tabled 27 November 2018), Minister Tudge's answer made no reference to guidelines or investment principles:

*The government will work with relevant stakeholders, including state and local governments, to identify projects to be funded under the UCF that remediate pinch points, improve traffic safety and increase efficiency for commuter and freight operators on urban transport networks.*

3.37 The Minister's answer (above) is consistent with selecting projects that will achieve the stated objective of the UCF, which is to 'support projects to remediate pinch points, improve traffic safety and increase network efficiency for commuter and freight movements in urban areas'. With the subsequent introduction of the National Commuter Car Park Fund, the policy objectives that should guide project selection included to 'improve access to public transport by funding park and ride facilities at rail stations'.

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38 The approach is in contrast with that taken for the Roads of Strategic Importance initiative under the Infrastructure Investment Program. Its investment principles were agreed concurrently with the UCF's and were publicly released on 13 October 2018. They are available at [https://investment.infrastructure.gov.au/key\\_projects/initiatives/roads\\_strategic\\_importance.aspx](https://investment.infrastructure.gov.au/key_projects/initiatives/roads_strategic_importance.aspx).

## Advice provided by the department

3.38 The Minister's Office requested departmental advice on 42 commuter car park sites that were candidates for selection. Of these, 37 were selected for funding commitment (88 per cent) by 31 March 2021.<sup>39</sup> The records examined do not outline that departmental advice was sought on the other ten projects selected for funding commitment.

3.39 The department did not provide advice on one of the 42 candidate projects, being a car park upgrade at the Berwick train station that was selected for funding. The advice had been requested in September 2018, prior to the UCF being used to fund such projects and prior to the National Commuter Car Park Fund being established. The related briefing to the Minister included:

The Australian Government has contributed to the construction of park-n-ride facilities as part of rail projects in which it is investing. However, the Government has not committed to a stand-alone park-n-ride program to date. Unless a carpark is included in the scope of a funded rail project, it will be the responsibility of the state government.

3.40 The department's advice on the other 41 candidate projects was outlined in attachments to three briefings to the Minister. The first of these briefings included some comments from the department in relation to 12 commuter car park projects (see the first two dot points of paragraph 3.46). The other two of these briefings contained related commentary in relation to 29 commuter car park projects that indicated insufficient information had been gathered at project identification stage and/or provided to the department to form its advice. Further, as outlined in paragraph 2.33, the turnaround time was four days for the first of these briefings and two days for the second. The briefing of:

- 26 March 2019 advised:  
the Department is not in a position to recommend allocating ... funding ... or provide detailed advice on the relative merits, scope or funding profiles, given the limited time and information available. Instead, we have provided high-level comments on the proposals, at Attachment A, based on existing information and transport modelling previously conducted.
- 5 April 2019 advised:  
The Department is not in a position to recommend funding the proposed projects or provide detailed advice on the relative merits, scope or costings of the potential projects, given the limited time and information available. Instead, we have provided high-level comments on the proposals, at Attachment A, based on existing information, traffic modelling previously conducted and consideration the UCF principles. ...  
  
Commentary and analysis on the proposed projects for the CCF [commuter car park fund] are particularly general as the information provided was based on stations alone, with no further details as to current car parking or capacity upgrades envisaged. The Department does not currently have access to the detailed information on train station car parks.

## *Advice on individual candidate projects*

3.41 The advice provided to the Minister on the 41 candidate projects did not make reference to their individual or relative merits in the context of the investment principles or the policy objectives.

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<sup>39</sup> Another of the candidates was selected for funding commitment in April 2021, thereby increasing the success rate to 38 of the 42 candidates (90 per cent) being selected.

3.42 The advice did not include an assessment of the project. It did not include advice on project feasibility, costs, risks or value for money. There was no information provided on the need for additional parking bays at the proposed sites.<sup>40</sup> This reflects the department's 5 April 2019 advice to the Minister (above) that it did not have access to such information.

3.43 For 28 of the 41 candidate projects, the department advised the Minister of the train line the station was located on, the area the station serviced and provided data on station boardings and on the traffic volumes of nearby roads, for example:

Balaclava railway station is on the Sandringham line in Victoria and serves the south-eastern Melbourne suburb of Balaclava.

Balaclava Station boardings around 4,041 per day (2016). Traffic in immediate surrounds averaging around 12,000 - 16,000 vehicles per day; nearby Brighton Rd heavily trafficked at over 70,000 vehicles per day (dark orange traffic volumes<sup>41</sup>).

3.44 While the provision of the above data may appear to be consistent with the investment principle of 'driven by evidence', there was no associated analysis of the data. Nor was the Minister given guidance on how to interpret the data in the context of identifying those candidates most likely to achieve the policy objectives. For example, whether to target those stations with a higher or a lower number of boardings.

3.45 Further shortcomings included that providing data on the traffic volumes of nearby roads was not sufficient in the context of the Austroads advice that park-and-ride facilities should be located 'upstream of the traffic congestion points'.<sup>42</sup> The details of the station's location:

- did not include its distance from a major destination, which would have enabled consideration against the Austroads advice that:  
The facility should not be located within 5-8 km of major destinations such as a town centre or central business district. Locating the facilities further away from the core regional centres also saves money due to lower land values.
- did not advise if it was in an outer suburban area, notwithstanding the department had advised the Minister in November 2018 that a report by Infrastructure Australia<sup>43</sup>:  
particularly supported building these [park-and-ride] facilities in lower-density outer suburban areas, as this broadens the reach of networks substantially, and makes public transport a more viable option for people who do not live near a station.<sup>44</sup>

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40 Advice against one of the 41 candidate projects did include that 'an upgrade is a priority for the [...] Council'.

41 The advice on 28 of the candidate projects described the traffic volumes on nearby roads as being a particular shade of orange. Specifically, as 'yellow to orange' for two projects, 'orange' for 10 projects, 'orange to dark orange' for two projects and as 'dark orange' for 14 projects. An explanation of their meaning was not included in the briefing package but the darker shades were associated with the higher traffic volumes.

42 Austroads, *Guide to Traffic Management*, Part 11 'Parking Management Techniques', edition 3.0 published April 2020 (and in edition 2.0 published January 2017).

43 Infrastructure Australia, *Outer Urban Public Transport*, Reform Series, October 2018.

44 The Infrastructure Australia report categorises the suburbs of Australia's major cities into three sectors: inner, middle and outer. According to ANAO analysis, out of the 47 sites selected for funding commitment: one site (two per cent) was located in the inner sector; 17 sites (36 per cent) in the middle sector; 28 sites (60 per cent) in the outer sector and one site (two per cent) was not categorised as it lies beyond the outer sector of Brisbane at Coomera station.

3.46 The advice the department provided the Minister for a further:

- 10 candidates contained no project specific information, stating in each case that:  
This project would use the existing network to enhance PT [Public Transport] usage and efficiency. This could involve park and ride stations.
- two candidates contained an expanded version of the above, stating that:  
This project would use the existing network to enhance PT usage and efficiency. This could involve dedicated bus lanes similar to the Brisbane Metro project, or park and ride stations in the wider Brisbane area to alleviate traffic travelling into the CBD. [The Queensland government] are currently undertaking planning for more than 2300 new 'park and ride' spaces across SEQ, which could be jointly funded; and
- one candidate was that:  
Mandurah Station currently has car parking capacity for 1,150 vehicles. The Department has insufficient information to form a view on the need for additional car parking capacity at this station. Mandurah is currently at the end of the line to the City. Large population growth is forecast in this area, although AM peak hour passenger loads are still low.

### **Recorded reasons for selecting the projects**

3.47 The ANAO examined the records of the selection of the 40 commuter car park sites funded that were not election commitments, which equates to 85 per cent of the sites funded. In particular the ANAO sought evidence of the merit or other basis for project selection.

3.48 Of the 38 car park sites that were authorised via the written agreement of the Prime Minister (as outlined in paragraph 3.6), 37 had reasons recorded for their selection.<sup>45</sup>

3.49 In respect of 25 of the car park sites, the recorded reason related to it being a 'priority station'. Specifically, the reasons recorded for proposing:

- 19 sites took the form of 'Funding for commuter car park upgrades at initial priority stations [station names and funding amounts] building on existing commitments to upgrades along the [train line name]';
  - on four of these occasions the word 'initial' did not appear;
- 4 sites took the form of 'Funding for commuter car park upgrades at priority stations on [train line and station name], to be determined in consultation with the state and local governments'; and
- 2 sites took the form of 'Funding for commuter car park upgrades at priority stations [station names and funding amounts]'.

3.50 The recorded reason for proposing the remaining 12 of the 37 sites was for:

- 10 sites, 'This project would use the existing network to enhance PT [Public Transport] usage and efficiency. This could involve park and ride stations.'
  - on two of these occasions the project could also involve 'dedicated bus lanes';

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45 The reasons for selecting the 37 car park sites were set out in the lists of projects provided to the Prime Minister for his agreement. There was no reason recorded against the last commuter car park site in the request documents (Mandurah).

- one site, 'building on existing commitments to upgrades along the [train line]'; and
- one site, 'there is strong evidence of the potential for incentivising public transport use through providing additional car parking and the prioritisation of parking for commuters. An allocation of [funding amount] towards expanded commuter car parking at [station name] will support this outcome for local residents.'

3.51 The other two (Gosford and Mitcham) of the 40 sites examined had no reasons recorded for their selection as there was no clear documentation of their authorisation (as outlined in paragraphs 3.8–3.9). There was no indication in the announcement of the Gosford site as to why it was selected over other possible locations. There was some indication in the announcement of the Mitcham site as to why it was selected:

The funding injection includes \$68 million in park and ride facilities at six locations — Croydon, Mitcham, Ringwood, Ferntree Gully, Hampton and Bentleigh<sup>46</sup>...

Prime Minister Scott Morrison said additional car parking and removing pinch points and bottlenecks will make a real difference to the lives of people living in the outer east and south-east regions of Melbourne.

"Michael Sukkar, Tony Smith, Jason Wood and Tim Wilson have all called for congestion busting investments to help local families and businesses," Prime Minister Morrison said ...

3.52 The departmental briefings did not suggest that the Minister (or the Australian Government) record the basis for selection decisions. Nor did the department assist the Minister to record an assessment of the merits of candidate projects against the UCF investment principles or policy objectives. For example, the department could have provided an assessment and/or selection template to complete so as to facilitate transparency and accountability in decision-making (as the department has done when administering other funding programs).

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46 A reason for selecting the other five locations in the media release had been recorded in the selection documentation. In each of these five cases, the reason for selection was identical to the department's advice: 'This project would use the existing network to enhance [Public Transport] usage and efficiency. This could involve park and ride stations.'



## What was the distributional outcome of project selection?

Project distribution reflected the geographic and political profile of those given the opportunity to identify candidate projects for funding consideration. The approach to project identification included canvassing the Member of the House of Representatives for 23 electorates, as well as Coalition Senators or candidates for six electorates then held by the Australian Labor Party or Centre Alliance.

The distribution that resulted from the approach taken included that:

- 64 per cent of projects were located in Melbourne, representing more than 2.5 times the number of projects located in Sydney notwithstanding that Infrastructure Australia has identified that the majority of the most congested roads in Australia are located in Sydney;
- the Melbourne projects were predominantly located towards the South-East, whereas data shows that Melbourne's most congested roads in 2016, and as forecast in 2031, are predominantly in the North-West; and
- nationally, 77 per cent of the commuter car park sites selected were in Coalition-held electorates and a further 10 per cent were in one of the six non-Coalition electorates canvassed.

### Distribution of the candidate projects identified for funding consideration

3.53 A high-level overview of the avenues through which the 47 car park sites selected under the program were identified is as follows:

- 36 sites were recorded as having been raised by 'colleagues', being Federal Members of Parliament, Federal Senators, candidates for a federal seat and/or their Offices. Five of these 36 sites also had other avenues recorded:
  - one site had been put forward by a NSW Minister;
  - for three sites the records stated 'Committed to by Federal Labor'<sup>47</sup>;
  - one site had been put forward by the NSW Minister and its records also stated 'Committed to by Federal Labor';
- four sites were identified within the Australian Government but the means of identification were not apparent from the records examined. Of these four sites:
  - three sites comprised a single project (the 'Commuter Car Park Upgrades — Northern Lines' project in Victoria); and
  - one was the project at Mitcham (referred to in paragraph 3.51);
- seven sites were Coalition election commitments; and
- none of the sites were identified by, or via, the Department of Infrastructure.

3.54 The governance arrangements for the UCF envisaged that the Minister 'would identify projects through ongoing engagement with relevant stakeholders', which included 'Members of

<sup>47</sup> Instances where the records of a commuter car park site's means of identification included the statement 'Committed to by Federal Labor'. This is not all of the sites for which such a commitment had been announced.

Parliament and other political representatives'. It is not uncommon for Members of Parliament to be able to provide support for funding applications. There have also been programs where it has been identified that Members of Parliament are to play a role in the identification or prioritisation of funding candidates.<sup>48</sup>

3.55 In respect of the funding of commuter car park projects, the opportunity to identify UCF candidates was offered in relation to at least 29 Federal electorates. This comprised 23 Coalition-held electorates, five held by the ALP and one by Centre Alliance.<sup>49</sup> Between September 2018 and April 2019 two Ministerial offices canvassed House of Representatives colleagues in the Coalition-held electorates, Coalition Senators in relation to four of the electorates held by the Australian Labor Party (ALP) and the Liberal candidates for the other two electorates<sup>50</sup>.

3.56 The distribution of the projects selected for funding commitment reflected the geographic and political profile of those given the opportunity to identify candidates. Of the 47 car park sites selected for funding:

- 35 sites were located in 14 of the 29 Federal electorates canvassed;
- two further sites located in neighbouring electorates were identified by the offices of the Federal Members holding two of the 29 Federal electorates canvassed;
- six sites were put forward for funding consideration by the office of the Federal Member, without being canvassed. Specifically, records show that:
  - two sites were put forward by the office of the Federal Member for the Coalition-held electorate of Hume (the sites were located in a neighbouring electorate);
  - four sites were put forward by the office of the Federal Member for the Coalition-held electorate of Kooyong; and
- the origins of the other four were not evident to the ANAO from the records examined (one was located in a Coalition-held electorate and three were in ALP-held electorates).

## Distribution by state

3.57 Projects were selected in four of Australia's eight states and territories. In descending order of funding share, the states were Victoria, New South Wales, Queensland and Western Australia. The distribution of car park sites across these states, and of the funding allocated at the time of project selection, is outlined in Table 3.2.

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48 See ANAO Supplementary Submission 7.3 to the Joint Committee of Public Accounts and Audit inquiry into matters contained and associated with Auditor-General's Reports 5, 12 and 23 (2019–20), reported in Committee Report 484 of December 2020.

49 The 23 Coalition-held electorates were: Aston, Banks, Bonner, Boothby, Bowman, Canning, Casey, Chisholm, Deakin, Dickson, Dunkley, Forde, Goldstein, Hasluck, La Trobe, Menzies, Pearce, Petrie, Reid, Robertson, Stirling, Sturt, and Swan. The six non-Coalition electorates were comprised of five ALP electorates (Cowan, Griffith, Lindsay, Macnamara, and Macquarie) and one Centre Alliance electorate, Mayo.

50 Being the Centre Alliance held electorate of Mayo and the ALP held electorate of Macnamara (previously Melbourne Ports).

**Table 3.2: Distribution of projects and funding by state**

Car park projects	Victoria	New South Wales	Queensland	Western Australia
Number of sites	30 (64%)	11 (23%)	5 (11%)	1 (2%)
Allocated funding at time of selection <sup>a</sup>	\$395 million (63%)	\$154 million (25%)	\$60 million (10%)	\$16 million (3%)

Note a: This row provides the initial funding allocations as reflected in the 2019–20 Schedules to the National Partnership Agreement. Percentages do not add to 100 per cent due to rounding. Funding allocations for some projects were subsequently adjusted, as per paragraphs 3.15–3.16.

Source: ANAO analysis of Department of Infrastructure records.

3.58 In analysing distribution by state, the ANAO considered:

- which states contained an area with a metropolitan rail network for use by commuters;
- the number of persons in each of those areas who drive to work, as an indication of the relative size of the target group; and
- the number of roads in each area that are amongst the 10 most congested roads in Australia, as an indication of the relative need for congestion-busting activity.

3.59 The results as outlined in Table 3.3 indicate that the selection of the four states was consistent with the funding objectives.

**Table 3.3: Relative size of the target group and need to address road congestion**

Areas with metropolitan rail networks for commuters	Drove to work on 2016 Census Day <sup>b</sup>	Number of roads on the list of 10 most congested roads in Australia <sup>c</sup>	
	Number of persons	In 2016	Forecast for 2031
Greater Melbourne, Vic.	1,274,264	1 road	2 roads
Greater Sydney, NSW	1,197,266	8 roads	5 roads
South East Queensland	948,894	1 road	3 roads
Greater Perth, WA	590,112	—	—
Greater Adelaide, SA	387,533	—	—
Australian Capital Territory <sup>a</sup>	130,775	—	—

Note a: The Australian Capital Territory has a light rail line, which opened in April 2019.

Source: (b) Australian Bureau of Statistics, Census of Population and Housing 2016 data compiled and presented by .id (informed decisions). Census Day was 9 August 2016.

(c) Veitch Lister Consulting (2019) modelling for Infrastructure Australia, *Urban Transport Crowding and Congestion*, an Australian Infrastructure Audit 2019 supplementary report, June 2019.

3.60 The results as outlined in Table 3.3 were not consistent with the majority of the most congested roads in Australia being located in Greater Sydney. Further, the proportion of the 10 most congested roads that are located in South East Queensland is forecast to exceed Greater Melbourne in 2031.

3.61 A variety of project types were supported through the UCF. The ANAO considered whether the high proportion of Victorian car park projects was also apparent at the UCF program level or if it had been offset by funding being directed to different types of projects in the other states. The result was that Victoria received the highest proportion when calculated at the program level. That

is, of the 186 projects (by site) totalling \$4,029 million in funding committed, included in the 2019–20 Schedules to the National Partnership Agreement:

- Victoria received 39 per cent of projects and 38 per cent of funding; while
- New South Wales (the next highest proportionally) received 26 per cent of projects and 16 per cent of funding.

### Distribution by electorate

3.62 The ANAO also analysed the electorate distribution of the commuter car park projects and funding. The ANAO identified the electorate in which each site was located and the party which held that electorate at the time of project selection. Of the 47 projects, 40 were selected within the three-month period leading up to the caretaker period commencing on 11 April 2019 and seven were 2019 election commitments. To reflect this timing in the analysis, the ANAO used the results of the 2016 federal election applied to the electorate boundaries that would be in place for the 2019 federal election.

**Table 3.4: Electorate distribution of projects and funding by state and nationally**

Car park projects	Australian Labor Party	Coalition	Other
<b>Victoria</b>			
Number of car park sites	5 (17%)	25 (83%)	—
Initial funding commitment	\$100 million (25%)	\$295 million (75%)	—
<b>New South Wales</b>			
Number of carpark sites	6 (50%)	6 (50%)	—
Initial funding commitment	\$92.5 million (57%)	\$69 million (43%)	—
<b>Queensland</b>			
Number of car park sites	—	5 (100%)	—
Initial funding commitment	—	\$60 million (100%)	—
<b>Western Australia</b>			
Number of car park sites	—	1 (100%)	—
Initial funding commitment	—	\$16 million (70%)	—
<b>Nationally</b>			
Number of car park sites	11 (23%)	37 (77%)	—
Initial funding commitment	\$192.5 million (30%)	\$440 million (70%)	—

Note: One New South Wales project was to be located at a train station on the boundary of electorates held by different major parties. The location of the car park itself had not been decided at the time of the ANAO's analysis. The ANAO therefore attributed the project and the \$7.5 million allocation to both major parties in full. The project and funding data is as per the 2019–20 Schedules to the National Partnership Agreement.

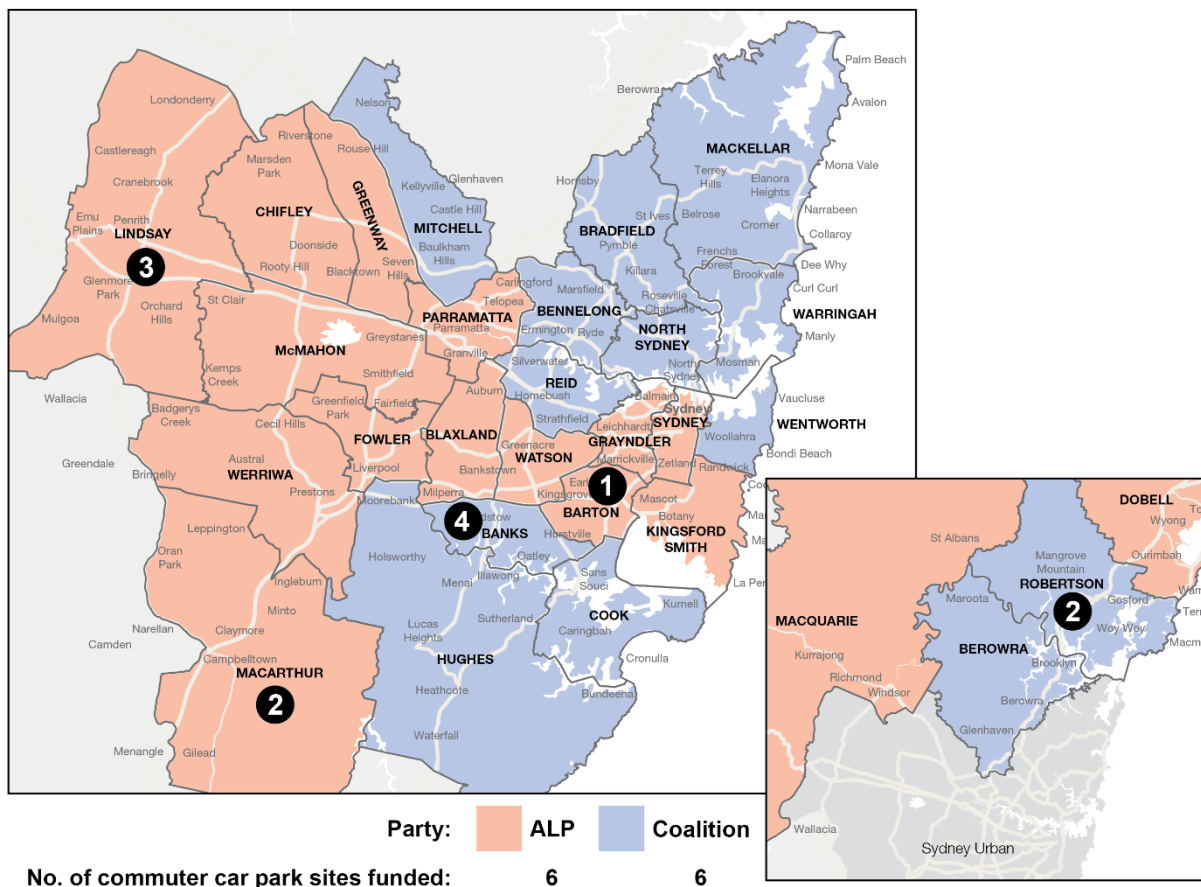
Source: ANAO analysis of Department of Infrastructure records and Australian Electoral Commission data.

3.63 Projects were located in 23 Federal electorates of which 15 were held by the Coalition and eight by the ALP prior to the 2019 Federal election. While 10 of the 15 Coalition-held electorates

had two or more projects located within them, two of the eight ALP-held electorates had two or more projects located within them.

3.64 The most successful electorates were Goldstein (six projects), Deakin (five projects), Kooyong (four projects) and Banks (four projects), all of which were Coalition-held. The most successful ALP-held electorate was the electorate of Lindsay with three projects. These electorates are located in New South Wales and Victoria. A map of car park projects by electorate for New South Wales is at Figure 3.1 and for Victoria is at Figure 3.2.

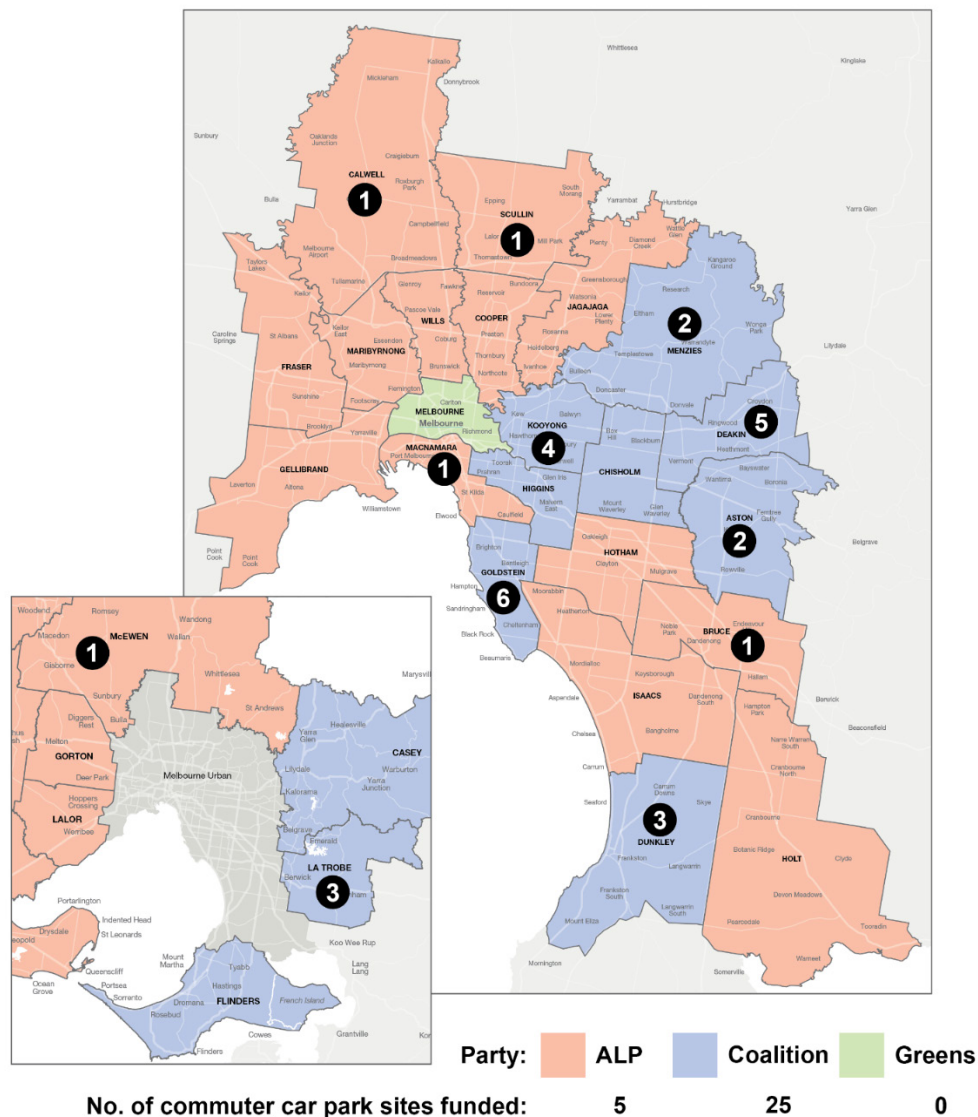
**Figure 3.1: Number of sites in New South Wales by federal electorate, as per the results of the 2016 federal election**



Note: One project was to be located at a train station on the boundary of Banks and Barton, which are held by different major parties. The location of the car park itself had not been decided at the time of the ANAO's analysis. The ANAO therefore attributed one project to each of these two electorates.

Source: ANAO analysis of Department of Infrastructure records and Australian Electoral Commission data

**Figure 3.2: Number of sites in Victoria by federal electorate, with the results of the 2016 federal election applied to the electorate boundaries in place for the 2019 federal election**



Source: ANAO analysis of Department of Infrastructure records and Australian Electoral Commission data.

3.65 To provide some insight into whether the distribution by electorate was consistent with achieving the stated objectives of the program, the ANAO undertook more detailed testing of the distribution of the 30 Victorian-based projects. The population of projects in each of the other states — which ranged from zero to 11 — was considered insufficient to support the more detailed analysis.

## Distribution within Victoria

3.66 The majority (64 per cent) of projects were located in Victoria. As per Table 3.2 above, the majority of the 30 Victorian projects (83 per cent) were located in an electorate held by the Coalition at the time of selection.<sup>51</sup>

3.67 The projects selected were located in 10 of the 22 ‘Melbourne Urban’ electorates and in two of the six electorates immediately surrounding those. Metropolitan train lines extended into each of these 28 electorates. In the absence of eligibility criteria for project location, the ANAO considered these 28 electorates to be ‘in-scope’ for the purposes of the audit analysis. The ANAO compared the electorates that were successful in attracting funding against the population of in-scope electorates.

**Table 3.5: Comparison of ‘successful’ electorates with in-scope electorates in Victoria**

	Australian Labour Party	Coalition	Other (The Greens)
Number of in-scope electorates	16	11	1
Number of electorates that received one or more candidate projects	5	7	0
Success rate	31%	64%	0%

Source: ANAO analysis of Department of Infrastructure records and Australian Electoral Commission data.

3.68 As outlined in Table 3.5, Coalition-held electorates were twice as successful in attracting funding as those held by the ALP at the time of selection. Further in this respect, all seven ‘successful’ Coalition-held electorates attracted multiple projects — ranging from two to six projects — as illustrated in Figure 3.2 above.

3.69 The ANAO considered whether the higher success rate for Coalition-held electorates was a reflection of those localities having more factors relevant to the achievement of the policy objectives. For this purpose, the ANAO examined the geographic distribution of the Victorian train network, of the most congested road corridors and of projected population growth. The findings of the analysis indicated that the geographic distribution of projects did not reflect the distribution of key factors relevant to the achievement of the policy objectives. Specifically:

- The Victorian train network extends across the western suburbs where no projects were located. Candidate projects tended to cluster along certain southern and eastern train lines, as illustrated in Figure A.1 of Appendix 2.
- Melbourne’s most congested roads in 2016, and as forecast in 2031, were predominately to the North-West of Melbourne, as illustrated in Figure A.2 and Figure A.3 of Appendix 2. For example:
  - The Victorian roads listed in Table 3.3 as being amongst the most congested in Australia are located to the North and the West of Melbourne; and

51 One of the car park sites recorded by the ANAO as being in an ALP-held electorate was located 300 metres from the boundary of a Coalition-held electorate. In the project selection documentation, and subsequently in the department’s Infrastructure Management System, the site was recorded as being located in the neighbouring Coalition-held electorate. The funding was announced by the Federal Member for that Coalition-held electorate.



- advice to the Minister in January 2020 on the results of modelling procured by the department included that, 'In Melbourne, road congestion will be particularly concentrated on arterial and sub-arterial roads in the high population growth areas to the north-west and the north, such as Wyndham, Melton, Sunbury and Craigieburn'. As per Figure A.1 of Appendix 2, only one commuter car park project attributed to the UCF had been selected on the train lines to these areas by March 2021, being the Craigieburn site that was fully funded by the Victorian government.
- Population growth is a key driver of urban road congestion. Projects tended to be located in local government areas with relatively low average population growth rate projections. Half of the projects were located in local government areas with a less than one per cent growth rate, as illustrated in Figure A.4.



## 4. Project funding approval

### Areas examined

The ANAO examined whether funding decisions on commuter car park projects were informed by appropriate advice.

### Conclusion

While the department provided written briefings that included assessment reports to advise the Minister to approve funding for 33 projects up to 31 March 2021, the underlying assessment work was not to an appropriate standard. Insufficient assessment work has been undertaken by the department to satisfy itself that projects are eligible for funding under the *National Land Transport Act 2014*. In relation to the merits of projects, the department did not seek to establish assessment criteria, and the assessment work has not adequately demonstrated that approved projects will provide value for money.

### Areas for improvement

The ANAO has made three recommendations relating to the department: undertaking sufficient inquiries to demonstrate that projects for funding are eligible for approval before it makes a funding recommendation to the Minister; developing merit assessment criteria to provide a sound basis for value for money assessments; and identifying and applying relevant assessment benchmarks when examining the merits of funding projects that are the result of non-competitive selection processes.

4.1 The project approval stage follows the funding commitment stage. The Minister was the funding decision-maker for the commuter car park projects.<sup>52</sup> The Minister may approve a commuter car park project as an 'Investment Project' under Part 3 of the *National Land Transport Act 2014* (NLT Act) if the Minister is satisfied that the project is eligible for approval (in accordance with section 10) and considers that it is appropriate to approve the project (in accordance with section 11).

4.2 The Minister must also comply with section 71 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which states that 'A Minister must not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be a proper use of relevant money'. The PGPA Act defines 'proper' as efficient, effective, economical and ethical.

4.3 The Minister may approve funding up to the limit of the Australian Government's commitment to each project. A project may be broken down into different phases that are separately assessed and approved (provided that the total amount does not exceed the committed amount) or may be approved in full. As set out in Table 4.1, there are three project phases outlined in the administrative guidance for Investment Projects.

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52 The Minister with responsibility for Urban Infrastructure considered and approved the commuter car park projects located outside their own electorate. Those located in the Urban Infrastructure Minister's electorate were instead considered and approved by the Minister for Infrastructure, Transport and Regional Development.

**Table 4.1: Investment Project phases**

Phase	Description
Scoping	The investigation of options available (including the option to do nothing) to address an identified transport problem/opportunity. This phase produces a preferred option and an estimated total project cost.
Development	The refinement and further development of a specific project including detailed planning, environmental approvals and community consultation, in order to bring a project to 'construction ready'. This stage can include pre-construction works such as land acquisition and ground clearing.
Delivery	The construction and delivery of a complete project.

Source: Notes on Administration for Land Transport Infrastructure Projects 2019–2024.

4.4 An aim of the scoping/development phases is to inform the development of a project's scope, cost and delivery timeframes, as well as support detailed planning and design works. Where projects have not been approved in full, further advice is to be provided to the Minister following the completion of the scoping/development phases on next steps, including whether the project should proceed to the delivery phase.

4.5 The project approval process for Investment Projects consists of the following four stages:

- Stage 1: a Project Proposal Report is submitted by the proponent to the department;
- Stage 2: the Project Proposal Report is assessed by the department against the relevant parts of the NLT Act and PGPA Act 'to guide its recommendations to the Minister on the merits and risks of a project';
- Stage 3: a recommendation on whether or not the project should be approved is submitted to the Minister by the department; and
- Stage 4: following a decision by the Minister, the department will write to the proponent advising if funding has been approved or not.

4.6 The ANAO considered the Department of Infrastructure's conduct of stages 2 and 3 of the project approval process to assess whether funding decisions on commuter car park projects were informed by appropriate advice.

### How many of the projects have been assessed and approved for funding?

Assessment work has been completed for 10 car parks resulting in \$100 million of Australian Government funding being approved for the full project (including delivery of construction work). For a further 23 projects, the department has assessed proposals for the funding of scoping/development work with \$22 million in funding approved (representing seven per cent of the total Australian Government funding committed for those projects). Further assessment work will be required in relation to:

- whether the remaining \$278 million in Australian Government funding should be awarded to deliver those 23 projects for which scoping/development work has been approved; and
- the remaining 11 projects with an aggregate commitment of \$175 million.

4.7 It is common for agencies to provide written advice to Ministers to inform their funding decisions in order to assist them to comply with section 71 of the PGPA Act. This section requires Ministers to make reasonable inquiries that the expenditure would be a ‘proper use’ of money and to record the terms of the approval. The practice of providing written advice also promotes informed, transparent decision-making.

4.8 By 31 March 2021, the Department of Infrastructure had provided 17 written Ministerial briefings about the award of funding for commuter car park projects.<sup>53</sup> One briefing was to obtain in-principle Ministerial agreement to the Victorian Government pursuing its proposed suite of eight upgrades on the Northern Lines<sup>54</sup> with one of these projects not requiring any assessment work by the department as its delivery is being fully funded by the Victorian Government. One briefing related to two projects that had their funding cancelled, with funding for one of these reallocated to another project.<sup>55</sup>

4.9 The other 15 briefings provided to 31 March 2021 involved the department recommending the award of Australian Government funding for 33 of the remaining sites (see Figure 4.1 for a timeline of Ministerial approval for these projects).

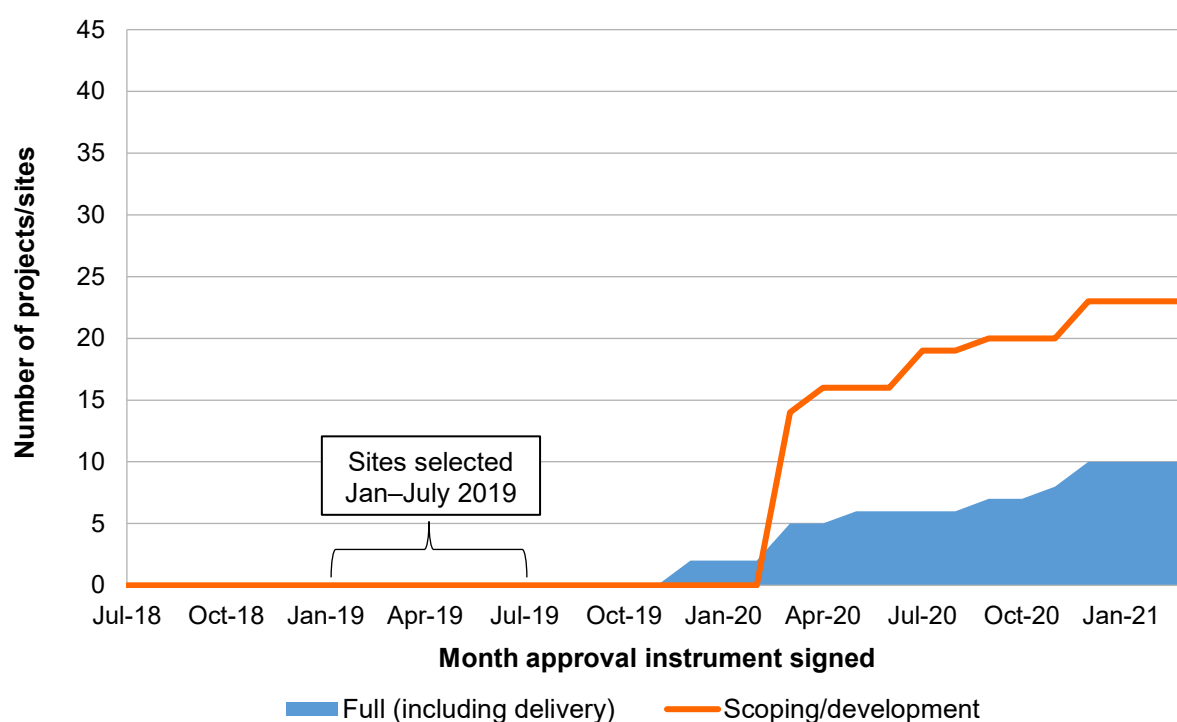
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53 There were three other briefings provided to the Minister that presented options for progress rather than advice on the award of funding.

54 The department advised the Minister that the Australian Government committed \$70 million to upgrade up to five commuter car park sites on the Northern Lines of the Melbourne Metropolitan rail network. The Minister was advised that three sites were originally announced—Craigieburn, Hurstbridge and South Morang—as well as two unidentified sites. On 15 April 2021, the Australian Government decided to revise the scope of the Northern Lines project, giving the Minister for Urban Infrastructure authority to determine the location of up to 10 additional commuter car park sites within the existing funding commitment.

55 In December 2019 the department advised the Minister that: the existing car park at the Brighton Beach station was not suitable for upgrading; both the Victorian Government and Bayside City Council had indicated they would not act as delivery agent; and there was no suitable land located in close proximity to the station on which to build a commuter car park. The \$4.3 million was reallocated to the North Brighton project.

**Figure 4.1: Timeline of project approvals to 31 March 2021**



Note: Two car park sites were cancelled in December 2019, leaving 45 sites remaining as at 31 March 2021.

Source: ANAO analysis of Department of Infrastructure records.

4.10 Eight of the 15 briefings related to the department assessing and recommending the approval of funding for project scoping/development work in relation to 23 sites. The aggregate value of the Australian Government funding for these projects was \$300 million, with \$22.3 million (seven per cent) assessed and approved for scoping/development work. Further assessment work and briefing will be required in relation to these projects once that work is completed to consider whether the remaining Australian Government funding of \$277.7 million should be provided for delivery work.<sup>56</sup>

4.11 The other seven briefings attached a project assessment report for the delivery of works at 10 sites for which the department recommended the award of funding.<sup>57</sup> These 10 sites involved total Australian Government funding of \$100.2 million towards total projects costs of \$135.8 million. In each instance, funding was awarded as had been recommended by the department.

4.12 An assessment had not yet been undertaken, or a funding recommendations briefing provided to the Minister, in relation to the remaining 11 projects with an aggregate commitment of \$175.4 million as at 31 March 2021.

<sup>56</sup> On 15 April 2021, the Australian Government decided to cancel a further four projects (Balaclava, Kananook, Mitcham and Seaford) and reallocate the \$42.2 million of unspent funding committed. A total of \$1.9 million in Australian Government funding had been approved and paid for the scoping phases of these four projects.

<sup>57</sup> These 10 projects were approved in full; that is none had been previously approved for a scoping/development phase. For each, the proponent had either commenced or completed scoping works by the time Project Proposal Reports were submitted, with funding being sought to support development/delivery of the projects.

## Did the department appropriately assess the eligibility of projects?

Inadequate assessment attention has been given to the eligibility of projects. The assessment guidelines do not address how the department will assess eligibility, and was not addressed in the department's project assessment reports. For each of the 33 projects assessed up to 31 March 2021, the department identified in decision briefings provided to the Minister a subsection of the *National Land Transport Act 2014* under which it considered the project to be eligible. The ANAO's analysis was that, of those 33 projects:

- three were not eligible under the subsection identified by the department, although they were eligible under another subsection;
- one project was not eligible — a finding that has been accepted by the department with the department advising the ANAO that it is seeking to address this situation before construction commences; and
- 10 proposed sites were not attached to a rail station which raised questions as to their eligibility that were not addressed in the relevant project assessment reports, but were addressed by the department in responding to the ANAO.

4.13 For a project to be approved as an Investment Project, the Minister must be satisfied that it is eligible for approval in accordance with section 10 of the NLT Act. Section 10 sets out the types of projects which are eligible for approval, including the construction of an existing or proposed road or railway, or the construction of an inter-modal transfer facility.<sup>58</sup> Eligibility had not been assessed at project identification and selection stage. In April 2021, the department advised the ANAO that:

eligibility under the Act is not a conclusive factor in whether the Government can make a commitment to a transport infrastructure project. The Government does commit to infrastructure projects which are not eligible under the Act, and funds them through other means outside of the NLT Act such as through City Deals.

4.14 The department has internal 'Project Proposal Report Assessment Guidelines' to be applied for all Investment Projects. The guidelines' only instruction in relation to the assessment of eligibility is a statement that 'The proponent should select the parts of the NLT Act Part 3, Section 10 that are relevant to the project approval'. There is no guidance as to how departmental assessors should consider whether the project is eligible, either as suggested by the project proponent or otherwise. In April 2021, the department advised the ANAO that:

Where a departmental assessor is unsure of eligibility under the Act, they approach the Program, Policy and Budget branch of [the Division] for further guidance and, if eligibility remains unclear, legal advice is sought. The need to more formally document this existing process is acknowledged, and work is already underway through the [Governance, Assurance, Performance and Reporting (GAPR)] Committee. For example, in March 2021 the GAPR Committee endorsed a role statement for the Strategic Communications and Implementation Policy team including this function and

58 In the NLT Act, 'inter-modal transfer facility' means 'a facility for the transfer of cargo or passengers from one mode of transport to another. At least one of the modes of transport must be road or rail'. Additionally, 'construction' when used in relation to a railway or road or an inter-modal transfer facility includes 'investigation and associated engineering studies'. Section 10 therefore also applies to the eligibility of the scoping and development phases of projects.

noted actions underway including development of a centralised legal advice register and standardising and formalising the provision of advice on complex interpretation questions.

4.15 Eligibility was not addressed in the 18 project assessment reports provided by the department to the Minister by 31 March 2021, covering the 33 commuter car park sites (70 per cent of the 47 sites identified).

4.16 Without recording an assessment on eligibility, the department indicated to the Minister that each project was eligible in the covering approval briefs to which the project assessment reports were attached. Specifically, each approval brief included a 'Legislative assessment and authority' section where the department selected the relevant part of section 10 under which the project was considered eligible. Providing this advice was consistent with a recommendation made by the Joint Committee of Public Accounts and Audit in its June 2017 *Report 462: Commonwealth Infrastructure Spending*:

The Committee recommends that, in relation to project approval instruments for future infrastructure projects, the Department of Infrastructure and Regional Development provide explicit advice to its Ministers on whether the requirements of the land transport legislation have been met and, where sufficient information is not available to make such an assessment, identify this in its advice.

4.17 Of the 33 car park sites that the department had provided advice on, in:

- 27 instances the department recorded that the project was eligible under the same part of section 10 as had been identified by the proponent;
- four instances the department recorded that the project was eligible under a different part of section 10 to that identified by the proponent. The department did not record why it formed a different view on eligibility to the proponent; and
- two instances the proponent had not identified the part of section 10 it considered was relevant.

### **Projects approved as eligible on the basis of involving construction of a road**

4.18 Four projects had been assessed by the department as being eligible under subsection 10(a) of the NLT Act, which is for the construction of an existing or proposed road.

4.19 The first such approval occurred on 12 March 2020 involving \$15.34 million to meet half the estimated cost of a project to develop a multi-storey car parking structure within the existing footprint of the Mandurah Station Car Park in Western Australia. In its proposal submitted to the department, the proponent had stated it considered the project eligible under subsection 10(e) as an inter-modal transfer facility. The department did not record why it disagreed with the proponent and instead advised the Minister it was eligible for approval under subsection 10(a) as involving the construction of a road, and it was not evident from departmental records how the development of a multi-storey car park within the footprint of the existing car park could be considered to involve the construction of a road.<sup>59</sup>

4.20 On 17 March 2020, the department recommended that the Minister approve funding for six Urban Congestion Fund (UCF) projects in Victoria that the department advised were eligible

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<sup>59</sup> In April 2021, the department advised the ANAO that 'the reference to section 10(a) was an oversight by the relevant officers of the department'.

under subsection 10(a). The six projects included scoping work for car park upgrades at two railway stations (at Boronia and Ferntree Gully) along with two road upgrades, an intersection upgrade and a road extension. In the relevant Project Proposal Report submitted to the department, the proponent had identified the two car park upgrades as being eligible under subsection 10(e) on the basis that they involved the construction of an inter-modal transfer facility. The department's assessment records did not record the reason for disagreeing with the proponent and did not demonstrate how it had come to the conclusion that the two car park upgrades met subsection 10(a) of the NLT Act.<sup>60</sup> Other similar projects had been identified to the Minister as eligible as an inter-modal transfer facility under subsection 10(e) of the NLT Act. The Minister approved all six projects on 24 March 2020.

4.21 The fourth project approved on the basis of departmental advice that it was eligible as a construction of a road was the Doncaster (Victoria) project located at a bus stop. The Minister was advised that the project was 'expected to increase the capacity of the Doncaster Park and Ride facility' and would serve 'as a major interchange for seven bus routes'.

4.22 This project was approved by the Minister on 20 May 2020 for \$6 million, fully funded by the Australian Government and to be delivered by the Victorian Government in conjunction with the North East Link project (NELP). An Australian Government contribution of \$1.75 billion to the NELP was approved at the same time. As there was a separate project approval instrument for each project, the Doncaster park and ride project needed to be eligible in its own right under the NLT Act. While the project was approved on the basis of departmental advice that it was eligible as involving the construction of a road, the ANAO's analysis of departmental records identified that it was ineligible on this basis and was also ineligible for funding as an inter-modal transfer facility.

4.23 In April 2021, the department advised the ANAO that:

The Department agrees with the ANAO analysis that the Doncaster project, as a separate commitment of funding by the Government, needs to be eligible in its own right under the Act, despite being part of a very large road project encompassing multiple elements including a dedicated busway running from the park and ride facility. However, the Department agrees with Infrastructure Australia's position that there are benefits to be achieved in encouraging the transition of commuters from private to public transport. The Department is pursuing amendment to the relevant regulations that would permit a park and ride facility to be funded under the Act where commuters were transitioning from, as an example, private car transport to public bus transport. While the project was not eligible under the Act when approved by Government, the intent of the Department is for the relevant legal amendment to be in place prior to the project commencing construction, currently expected in the middle of 2022. It is also open for the Government to fund the construction of the carpark from outside of the NLT Act.

4.24 The department also advised the ANAO in April 2021 that:

The GAPR Committee within [the Division] is providing oversight of activities to strengthen the consistency of practice and performance of the division in implementing the IIP [Infrastructure Investment Program], including the development and implementation of a staff Induction and Training Package to ensure all staff involved in the management of funding under the IIP are fully

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60 In April 2021, the department advised the ANAO that 'the reference to section 10(a) was an oversight by the relevant officers of the department'.

aware of their obligations under the National Partnership Agreement and Notes on Administration.

### **Projects approved as eligible on the basis of involving construction of an inter-modal transfer facility**

4.25 Of the 33 projects that have been approved for funding, 29 were assessed by the department as eligible on the basis that they involved construction of an inter-modal transfer facility, consistent with subsection 10(e) of the NLT Act. For 26 of these, the department had agreed with the proponent's identified basis for project eligibility. For two projects (Glenferrie and Camberwell) eligibility had not been addressed by the proponent in the Project Proposal Report. For the last site (Ferry Grove), the proponent had identified that it considered the project to be eligible on the basis that it was for the construction of an existing or proposed railway, consistent with subsection 10(c) of the NLT Act. The department did not record why it disagreed with the proponent. Given the project was to 'increase the capacity of the park and ride facilities at Ferry Grove Station' by providing 'an additional 247 spaces on Level 6 of the multi-storey TOD park 'n' ride facility adjacent to the Ferry Grove Station', it was evident that the project involved the construction of an inter-modal transfer facility within the meaning of the NLT Act.

4.26 In August 2018 the department was advised that the construction of a car park 'attached' to a rail station would be eligible for approval as an inter-modal transfer facility under the NLT Act. Of the 29 projects assessed by the department as being eligible under subsection 10(e), there were 10 proposed sites, or options for possible sites, that were more than 130 meters from a rail station and not attached or readily attachable to that station.<sup>61</sup> Two examples are outlined below.

4.27 The first example occurred on 14 December 2020 when, as recommended by the department, the Minister approved the scoping phase of the Commuter Car Park Upgrade – Woy Woy project. This phase involves refining four site options to one preferred option. As per the extract of the Scoping Project Proposal Report at Figure 4.2 below, some of the site options are not attached (or readily attachable) to the station.<sup>62</sup>

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61 For a further 11 projects, a potential site or site options had not yet been identified as this work was to be undertaken as part of the scoping phase. The other eight projects proposed sites that were upgrades to existing commuter car parks or were at the rail station or all site options were within 120 meters of the rail station.

62 The department subsequently sought, and received, the Minister's agreement in April 2021 to progress scoping of two shortlisted options, being those marked options '2' and '6' in Figure 4.2. Option 2 has 'existing covered access to station' and option 6 is '600m from station'.



Figure 4.2: Options for location of Woy Woy car park project



Source: An extract from Department of Infrastructure records, with one label added by the ANAO.

4.28 In the second example, the Minister approved the scoping phase of the Commuter Car Park Upgrade – Canterbury project on 10 December 2020 as recommended by the department. The Project Assessment Report stated that:

The proposed site is situated roughly 130 meters from the railway station, approximately a two to three minute walk. Early scoping and development will ensure options are considered for accessibility to the station from the proposed car park.

4.29 The ANAO queried the basis for the department assessing car parks that were not attached or attachable to stations as being eligible, given the word ‘attached’ had featured in the advice of 28 August 2018. In response, the department sought advice on ‘What things does the Minister need to consider in deciding whether the subject of a project is an inter-modal transfer facility under the NLT Act?’ This is a question that would have been better resolved before project assessment had commenced. As requested by the department, the advice received February 2021 addressed the matter of proximity amongst other things. The advice outlined that, if the main or significant purpose of a facility is to transfer passengers from one mode of transport to another, then physical location would not be determinative although it is likely that the inter-modal transfer facility would be proximate to both modes.

4.30 In April 2021, the department advised the ANAO (with reference to the two examples outlined above) that:

The Department disagrees with the ANAO’s analysis that two car parks that are not attached to a rail station did not demonstrably satisfy the identified subsection of the Act. Firstly, the advice of 28 August 2018 provided no indication that being ‘attached’ to the railway station was a factor in determining eligibility. As the word ‘facility’ is not defined in the NLT Act, it takes its ordinary meaning. Relevantly, the Macquarie Dictionary defines facility to mean ‘something that makes possible the easier performance of any action’ with no reference to being attached.

In addition, legal advice dated 28 May 2020 on the eligibility of bike storage facilities concludes that they would be eligible as an intermodal facility in the vicinity of railway stations. The same reasoning would extend to other intermodal facilities such as car parks.

### Recommendation no. 3

4.31 The Department of Infrastructure, Transport, Regional Development and Communications document and apply assessment procedures that require it to undertake sufficient inquiries to demonstrate that candidates for funding under the National Land Transport Act 2014 are eligible for approval before it makes a funding recommendation to the Minister.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

4.32 *The Department has established processes in place to assess project eligibility under the Act or to provide policy and/or legal advice in more complex scenarios. The Department the Department had a sound understanding, informed by legal advice, of the eligibility of commuter carpark projects under the National Land Transport Act 2014. The Department is improving its documentation of guidance materials to support effective and appropriate management of the Urban Congestion Fund within the broader Infrastructure Investment Program.*



## Did the department appropriately assess the merits of projects?

The merits of projects has not been appropriately assessed by the department to inform its recommendations to the Minister. The design of the UCF did not include the development and Ministerial approval of merit assessment criteria. It has been common for the assessments that have been completed to not: identify the number of additional parking spaces that would result from the project; compare the cost of each additional car park to a relevant benchmark; and/or identify that there is a sufficiently high net economic benefit from the project. While the extent and depth of analysis expected for scoping/development projects may differ from that expected for delivery projects, the level of analysis undertaken by the department did not differ greatly. For example, under both categories of assessments, it was common for the department to not analyse information such as the number of car park spaces expected to be provided.

4.33 An assessment of the merits of projects was necessary to satisfy the requirements of the NLT Act and the PGPA Act. Specifically:

- section 11 of the NLT Act sets out a non-exhaustive list of six matters the Minister may have regard to in deciding whether it is appropriate to approve a project as an Investment Project; and
- section 71 of the PGPA Act requires that a Minister not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be an efficient, effective, economical and ethical use of money.

4.34 The project identification and selection stage did not include merit assessment, and so the department did not have prior work to build upon (see further at paragraphs 3.41–3.42).

### Merit criteria

4.35 The design of the UCF did not include the development and Ministerial approval of merit assessment criteria. This meant that there were no merit criteria in place to provide a transparent and consistent basis for assessing whether the identified projects represented an efficient, effective, economical and ethical use of public money (as required by the PGPA Act) and it was appropriate to approve the project (as required by the NLT Act).

4.36 There was no legislative requirement or impediment to having merit assessment criteria. The ANAO has examined the merit assessment process for another program delivered under the NLT Act (the Bridges Renewal Program, Auditor-General Report 17 2015–16). In designing the delivery of that program, the department obtained Ministerial agreement to four equally weighted merit criteria. Assessment scores against those criteria were used by the department to assess whether proposed projects represented value for money.<sup>63</sup>

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63 The Bridges Renewal Program was conducted by way of an open call for applications and so the criteria were also used to rank competing applications. While the use of criteria to rank competing applications is not relevant to programs that do not employ a competitive selection process (as was the case with commuter car park projects), merit criteria still perform an important role as relevant benchmarks against which to assess whether the proposal represents value for money and is appropriate for approval.

## Recommendation no. 4

4.37 In designing programs for the delivery of funding through the National Land Transport Act 2014, the Department of Infrastructure, Transport, Regional Development and Communications propose for Ministerial consideration merit criteria that will be used to assess whether projects represent an efficient, effective, economical and ethical use of public money.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

4.38 *The Department considers the mechanisms and governance requirements of the NLT Act and existing IIP processes are sufficient for program management in many circumstances and particularly apply to projects under the UCF.*

4.39 *Noting the process undertaken by Government to select commuter car park projects, the Department agrees that it can strengthen guidance material to staff to assess the value for money considerations and criteria outlined in the NLT Act and PGPA Act.*

4.40 *When establishing new funding programs for inclusion in the Infrastructure Investment Program, the Department will consider the elements of the new program streams and, where existing tools and practices are not appropriate, develop program-specific plans and performance measures, including merit criteria.*

4.41 In the absence of UCF merit criteria, assessment against the matters set out in section 11 of the NLT Act could have informed departmental recommendations and Ministerial decisions. The five of the six matters that were relevant to commuter car park projects proposals were subsection:<sup>64</sup>

- 11(b) the extent to which the project will improve the efficiency, integration, security or safety of transport operations;
- 11(c) the results of any assessment of the economic, environmental or social costs or benefits of the project;
- 11(d) the extent to which the project is likely to improve access for communities to services and employment;
- 11(e) any transport or land use plans that might be relevant to the project; and
- 11(f) the extent to which persons other than the Commonwealth propose to contribute funding to the project.

4.42 Merit criteria indicate the characteristics of project proposals that will successfully contribute to achieving the specified policy objective. An assessment of the merits of commuter car park proposals against the UCF investment principles (outlined at paragraph 3.32) could have also aided decision-making. The department did not adopt the investment principles as merit assessment criteria; nor did it adequately assess against the matters set out in the NLT Act (see paragraphs 4.54–4.55).

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64 The matter which was not relevant was subsection 11(a): ‘the extent to which the project is likely to improve the ability of industries and communities to compete in international, inter-State or inter-regional trade and commerce’.

## Number of additional car parking spaces

4.43 The purpose of the commuter car parks component of the UCF is to ‘improve access to public transport by funding park and ride facilities at rail stations’. In reference to a \$500 million addition to the now \$660 million National Commuter Car Park Fund, the government announced that it would ‘take tens of thousands of cars off our major roads per day’.<sup>65</sup>

4.44 It has been common for the assessment reports prepared by the department, and provided to inform Ministerial decision-making, to not identify how many additional car parking spaces would result from the project proceeding:

- 11 completed assessments identified the number of additional parking spaces, comprising four projects approved for scoping/development work (with total Australian Government funding approved to date of \$7.9 million) and seven approved for delivery with the Australian Government contributing \$64.2 million towards total project costs of \$99.8 million (the Australian Government is fully funding the delivery of two projects); and
- 22 completed assessments did not identify the number of additional parking spaces, comprising 19 projects approved for scoping/development work (with total Australian Government funding approved to date of \$14.4 million) and three approved for delivery (with total Australian Government funding of \$36 million approved).

## Cost benchmarking

4.45 Effective benchmarking enables an informed assessment of value for money in non-competitive selection processes.

4.46 In June 2020, the Minister requested that cost benchmarking be undertaken and, if the department was unable to undertake this work, that consultants be engaged. At a cost of \$50,000, the department engaged Turner and Townsend who reported in June 2020. The department used the consultant’s report to brief the Minister on a benchmark cost range and average cost per space (in June 2020 dollars) for three typical scenarios (see Table 4.2). The department advised the Minister that the variability in the cost ranges for car park projects is driven by a range of site specific factors.<sup>66</sup>

**Table 4.2: Benchmark construction costs for commuter car parks**

Scenario	Cost range per space	Average cost per space
At-grade	\$11,900 – \$40,120	\$26,700
Multi-storey standard (Brownfield)	\$18,400 – \$44,500	\$28,800
Multi-storey adjacent to rail line (Brownfield)	\$26,800 – \$45,800	\$39,600

Source: Departmental advice to the Minister in Department of Infrastructure records.

65 As at March 2021, the department’s recording of the ‘likely’ additional car spaces expected against each of the 47 sites calculated: for 23 sites as being a total of 7,696 spaces, of which 1,700 spaces were dependent on additional funding; for 19 sites as still to be determined; and the other five sites as nil.

66 Factors include: design considerations, fire regulations and security requirements, construction methodologies, and external site factors (including demolition and site clearances, service and utility diversions, ground contamination and conditions, public realm works, site constraints, road works to access car parking facilities and traffic management).

4.47 The department compared the benchmark costs with indicative Order of Magnitude cost estimates for 23 projects in Victoria, New South Wales and Western Australia. The department advised the Minister that the majority of the estimates for state-led projects in Victoria were ‘significantly higher than the benchmark cost ranges’ compared to projects to be delivered by Victorian councils, as well as projects in New South Wales and Western Australia, where the costs ‘mostly fall within the benchmark ranges’. Of those 23 projects:

- five had not yet proceeded to assessment stage. The department’s analysis was that each had an indicative cost per car park that was between three per cent and 169 per cent above the average of the relevant benchmark range;
- 13 had been assessed and approved for project scoping and/or development funding. Of these, 12 had been assessed before the consultancy advice on benchmark costs had been obtained.<sup>67</sup> Assessment of the thirteenth project in this cohort was finalised in November 2020. The assessment report and briefing to the Minister did not identify or address that its estimated cost per car park was 0.4 per cent below the top of the relevant benchmark range, and 15 per cent above the average of the relevant benchmark range; and
- five had been assessed and approved for delivery funding. In each instance, the assessment work had been completed prior to the consultancy advice on benchmark costs being obtained and the assessment report did not otherwise address whether the cost of the project was reasonable.<sup>68</sup>

4.48 There were seven projects not included by the department in its briefing to the Minister on the consultant's report for which assessment work was completed between July and December 2020.<sup>69</sup> As illustrated by Table 4.3, with one exception, the department had not used the results of the benchmarking work to inform Ministerial consideration of whether Australian Government funding should be awarded to either scope or deliver car park projects.

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67 The cost per car park was between 69 per cent and 217 per cent above the average of the relevant benchmark range, averaging 147 per cent above the benchmark average.

68 The estimated costs for each of the five fell within the relevant benchmark range, with two of the projects having costs that were 15 per cent below the relevant benchmark average whereas the other three projects had costs that were between four per cent and 25 per cent above the relevant benchmark average.

69 No assessment work had been completed between January and March 2021.

**Table 4.3: Extent to which cost benchmarks addressed in project assessments completed after June 2020 (up to 31 March 2021)**

Date of brief	Project	Project phase	Funding approved	Cost per space	Within/above benchmark	Assessment report	Ministerial briefing
7 Aug 2020	Hurstbridge, Vic.	Delivery	\$1.5m	\$25,862	Within	Not addressed	Not mentioned
9 Sep 2020	Berwick, Vic.	Development and early works	\$5.5m	\$115,000	190% above	Not addressed	Advised of expected cost per parking bay, that this cost was above benchmark, that the department would 'continue to work with Victoria to understand the market prices and determine any additional funding that may be required', and while market prices have confirmed these costings the department 'remains concerned'.
30 Sep 2020	Beaconsfield, Vic.	Delivery	\$2.35m	\$31,333	Within	Not addressed	Not mentioned
2 Dec 2020	Mango Hill, Qld	Delivery	\$4.0m	\$35,211	Within	Not addressed	Not mentioned
2 Dec 2020	Ferny Grove, Qld	Delivery	\$11.0m	\$80,972	104% above	Not addressed	Not mentioned
10 Dec 2020	Woy Woy, NSW	Scoping	\$0.6m	\$211,429	434% above	Not addressed	Not mentioned
10 Dec 2020	Panania, NSW	Scoping	\$0.6m	\$166,000	522% above	Not addressed	Not mentioned

Source: ANAO analysis of Department of Infrastructure records.

## Benefit Cost Ratios

4.49 One of the relevant factors listed in the NLT Act that the Minister may consider in deciding whether it is appropriate to approve a project is the 'results of any assessment of the economic, environmental or social costs or benefits of the project'. The calculation of a Benefit Cost Ratio (BCR) allows assessors to monetise the expected benefits and costs of a proposed project, accounting for different points in time when the impacts occur.

4.50 The department did not require proponents seeking funding for scoping or development work to provide a BCR with their proposal.<sup>70</sup> Of the 33 assessments completed to date, the majority (23 proposals or 70 per cent) have related to the approval of \$22.3 million in Australian Government funding for scoping or development work. In respect to those assessments, the department used standardised wording rather than providing a specific rationale that addressed why Australian Government funding should be provided.

4.51 To assist proponents to calculate the BCR where one was expected, the department's Major Infrastructure Projects Office developed a BCR calculation tool for commuter car park projects and instructions to use the tool. Departmental records show that the tool and instructions were provided to the Central Coast Council to assist it to prepare a BCR for the proposed commuter car park upgrade in Gosford, New South Wales. The department's records did not evidence that the tool and instructions were provided to other proponents. In March 2021 the department advised the ANAO that the tool:

- was also provided to the Victorian Department of Transport in relation to the Berwick project, 'to provide quick guidance as the project was approaching readiness for construction but can be used on other projects'; and
- is able to be used internally to assist with the provision of advice to Ministers.

4.52 Of the 10 delivery projects where an assessment had been completed by 31 March 2021:

- four identified that no BCR had been submitted by the proponent. In two instances the department's assessment stated that a BCR was not required as the estimated cost of the project was less than \$7.5 million.<sup>71</sup> In the other two instances<sup>72</sup> the department recorded that the proponent had advised that a BCR had not been undertaken and that 'The qualitative benefits set out above demonstrate the benefits of the project to commuters in the northern Brisbane area and the value for money to the Australian Government.'
- two identified that a BCR at a 4 per cent discount rate had been provided by the proponent (a BCR of 1.3 to 1.4 at P50 cost estimate for a \$6 million project being fully funded by the

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70 The Notes on Administration do not require a BCR to be included in Project Proposal Reports for scoping projects. One project did undertake a cost benefit analysis with the department noting 'The results of the economic appraisal show that the benefits of undertaking the Project outweigh the associated costs. The positive BCR figure (greater than one) suggests that the Project is economically feasible'. The scoping phase of the project was approved on 10 December 2020 for \$1.2 million (with a total Australian Government commitment of \$20 million).

71 In April 2021, the department advised the ANAO that 'this advice was provided in error and an exemption does not reflect existing policy or procedure'.

72 Involving Australian Government contributions of \$4 million and \$11 million towards projects with estimated total costs of \$10 million and \$20 million respectively.



- Australian Government and a BCR of 2.36 at a P90 cost estimate for a \$32 million project being funded 50 per cent by the Australian Government); and
- four complied in full with the requirement to submit two BCRs calculated at a 4 per cent discount rate at both P50 and P90 cost estimates. The BCRs ranged from 1.00 to 1.04 at P90, and from 1.01 to 1.09 at P50. The department's assessment described these BCRs as:
    - 'marginal' for two projects as 'the delivery agent has been unable to quantify wider economic benefits. A rapid BCR was completed due to project size, and capacity for the delivery agency to complete a more detailed BCR. As these projects are council delivered, it does not have the capabilities or internal experience to complete a more detailed BCR'; and
    - 'quite low' for the other two projects as 'the delivery agent has been unable to quantify wider economic benefits. A rapid BCR was completed due to project size, and capacity for the delivery agency to complete a more detailed BCR. As this project is council delivered, it does not have the capabilities or internal experience to complete a more detailed BCR.'

4.53 The department's assessment guidelines do not identify that there is a minimum BCR that a project must meet in order to be considered value for money. Nor did the department's approach exhibit that a minimum BCR was being applied when undertaking assessments. For example, a proposed UCF project to upgrade an intersection had a BCR of 0.03 and the department advised the Minister in April 2021 that it was satisfied that funding of \$5.4 million represented a proper use of relevant money because 'the anticipated wider economic benefits derived from the Project include reduced congestion, safety benefits for all road users, safer access to the proposed residential development and support for additional development in terms of housing and business activities in the area'.

- The department also advised that 'the increased capacity of the intersection with better heavy vehicle access will improve the efficiency, productivity and safety of heavy vehicles (currently 4,800 per day) travelling through the intersection'.
- The department did not advise that the intersection had been bypassed, and the heavy vehicles largely diverted, as a result of the NorthLink WA project funded under the Infrastructure Investment Program.

### **Reliance on claims of qualitative benefits**

4.54 To enable the Minister to meet the PGPA Act obligation, the department's briefings included a statement that the department was satisfied the proposed expenditure represented a proper use of money.<sup>73</sup> In support of this statement, the department would list the envisaged benefits from the project without quantifying the extent of those benefits. For example, the project would:

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73 For 21 commuter car park projects the department noted in its advice to the Minister that there was a risk that the projects would exceed the existing commitment amounts; be unable to deliver the committed scope within the existing funding commitments; and/or require additional funding. Despite these risks, the department advised the Minister that it was satisfied that all 21 of these projects represented a 'proper use of relevant money in accordance with the purposes and intent of the PGPA Act'. These risks were instead to be considered further during the scoping/development phases.

- provide an increased number of parking spaces, without identifying how many spaces or whether the cost of those additional spaces was reasonable (for example by reference to the benchmarking results);
- provide travel time savings, without quantifying the extent of those savings;
- encourage use of public transport, without identifying the extent to which public transport usage was expected to increase; and/or
- reduce congestion and improve safety, without quantifying the extent to which congestion would be reduced and safety improved.

4.55 A similar approach was taken by the department to advising the Minister that projects were appropriate to be approved in accordance with section 11 of the NLT Act:

- 24 assessments relied solely on subsection 11(b) relating to the extent to which the projects will improve the efficiency, integration, security or safety of transport operations without the assessment outlining the extent of these improvements;
- two assessments relied solely on subsection 11(d) which relates to the extent to which the project is likely to improve access for communities to services and employment, again without identifying the extent to which access would be improved; and
- seven assessments relied on two or more of subsections 11(b), 11(c)<sup>74</sup>, 11(d) and/or 11(f)<sup>75</sup>, also without outlining the extent of the expected improvements.

4.56 In April 2021, the department advised the ANAO that:

The GAPR Committee is overseeing development and implementation of a staff Induction and Training Package to ensure all staff involved in the management of funding under the Infrastructure Investment Program (IIP) are fully aware of their obligations under the National Partnership Agreement and Notes on Administration.

The Committee also has oversight of a number of projects to strengthen the advice provided to Ministers regarding value for money. These include:

- establishment of clear principles for a Project Cost and Benefit Review process, that incorporates cost benchmarking against industry standards.
- development of internal policy to assist with evaluation of commuter car park projects incorporating financial analysis such as consideration of construction cost benchmarks, co-contributions by delivery partners and potential use of space within a project for commercial opportunities by the delivery partner.

While these are underway the Committee has provided guidance to staff on expectations regarding strengthening of advice to Ministers around project costs, value for money and specific considerations and risks associated with a project.

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74 Subsection 11(c) relates to the results of any assessment of the economic, environmental or social costs or benefits of the project, such as a BCR. Of note was that, for the three briefings that referenced this clause, only one assessment identified that a BCR had been calculated and so the relevance of this clause to the approval of the other two projects was not evident. In addition, there were other projects with a BCR where the briefing did not identify subsection 11(c) as relevant to the Minister's approval.

75 Subsection 11(f) relates to the extent to which persons other than the Commonwealth propose to contribute funding to the project. Three projects referenced this clause, and in each instance the NSW government was contributing funding to the project. The department's briefings and assessment records did not outline why this criterion was relevant for these three projects but was not relevant for other projects where the proponent was also contributing funding to the project.

## Recommendation no. 5

4.57 When providing advice on whether funding should be approved for funding candidates under the *National Land Transport Act 2014* that have been identified through a non-competitive process, the Department of Infrastructure, Transport, Regional Development and Communications identify relevant benchmarks against which to assess whether the proposal represents value for money and is appropriate for approval.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

4.58 *The Department agrees with the principle that advice to the Minister should provide enough detail to ensure that the Minister can meet obligations under the PGPA Act. This may include, where relevant, appropriate benchmarking information as well as other quantitative or qualitative information. The Department briefing on projects includes an assessment of the effective, ethical, efficient and economical merits as required under the PGPA Act. Work is currently being undertaken to strengthen advice provided to Ministers on projects as they enter into the delivery stages. In relation to commuter carpark projects, the Department has used industry data to develop benchmark construction costs to help guide staff in the assessment of commuter car park proposals. Industry benchmarks for carpark projects do not consider many of the site-specific and environmental factors that contribute to the complexity of the project and overall cost but do help to identify these issues to support the Minister in making a decision.*

4.59 *Other calculations, such as a benefit cost ratio calculation may be more relevant as a guide for Ministers, particularly in circumstances where site specific cost factors may mean a benchmark comparison is not helpful.*

4.60 *The Department already has a process in place for cost assurance for road projects, through cost estimate reviews and cost benefit analysis. This function is being further developed in order to provide additional guidance and support for staff in the assessment of significant projects.*

## Were clear recommendations provided to the decision-maker, reflecting the results of the assessment work?

The department has provided clear funding recommendations in respect to the 33 projects for which it had submitted written briefings to the Minister. Reflecting the results of the department's assessment of project eligibility and merit, on each occasion the department recommended that funding be provided.

4.61 By 31 March 2021, the department had provided 15 funding approval recommendations briefings to the relevant Minister<sup>76</sup> in respect to 33 projects.<sup>77</sup> On each occasion, the department recommended that the Minister:

- agree to the provision of Australian Government funding;
- approve the project under section 9(1) of the NLT Act; and
- sign the project approval instrument.

4.62 The briefings included a summary of the rationale for the department's advice that the Minister had authority to approve the project and that it was satisfied the project was: eligible for approval under section 10 of the NLT Act; appropriate for approval under section 11 of the NLT Act; and represented a proper use of money under the PGPA Act.<sup>78</sup> The department also attached to each briefing the Project Assessment Report it had prepared in relation to the project (or projects).

4.63 For each of these 33 projects the Minister recorded that he had accepted the department's recommendations. There have been no instances where the Minister:

- approved funding for a commuter car park project that had been recommended for rejection by the department (noting that there were no instances where the department had advised the Minister that funding should not be awarded to a project that had been assessed); or
- rejected a project that had been recommended for approval by the department.

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76 Of the 33 commuter car park projects approved as at 31 March 2021, 29 had been approved by the Hon Alan Tudge MP with the other two projects approved by the Hon Michael McCormack MP (as those two projects were located in Mr Tudge's electorate).

77 In relation to one scoping project, the department subsequently provided a briefing recommending that the Minister vary the initial approval instrument under section 15 of the NLT Act to increase the maximum funding amount that the Australian Government may contribute from \$610,317 to \$1.4 million. The Minister signed the Variation Instrument on 10 December 2020.

78 The briefings also outlined key considerations, project information and details of other relevant factors such as tender exemptions and/or Indigenous Employment and Supplier-Use Targets.

## 5. Project delivery

### Areas examined

The ANAO examined whether the approved commuter car park projects were being delivered.

### Conclusion

By 31 March 2021, five of the 47 commuter car park sites originally announced (11 per cent) had commenced construction, with construction of two of these sites reaching practical completion. By this date, the department had paid \$76.5 million of program funding (12 per cent of the total committed) relating to 28 sites. The department has not had sufficiently strong controls in place to establish, for each approved project, clear delivery timelines and links between payments and milestones.

### Area for improvement

The ANAO has recommended that the department strengthen its controls over the establishment of delivery and payment milestones.

5.1 The Department of Infrastructure administers the assessment and oversight functions for National Partnership payments on behalf of The Treasury in relation to road, rail and water infrastructure investment projects. Whilst these payments to state and territory governments are recorded in the Treasury financial statements, the project approval, advice to government, milestone assessment, project monitoring and analysis processes are undertaken by the Department of Infrastructure. Expenses for these projects were estimated to be \$9.016 billion in 2020–21. This included \$7.782 billion for the Infrastructure Investment Program, of which \$483 million related to the Urban Congestion Fund (UCF) projects.<sup>79</sup>

5.2 The systems, guidance materials and controls in place for the administration of approved commuter car park projects under the UCF, were as per those used by the Department of Infrastructure for the broader Infrastructure Investment Program. Given the materiality of this program, ANAO examination of the extent to which the approved commuter car park projects were being delivered included consideration of the department's establishment of milestone schedules and approval of payments.

### Did the project approval process establish clear delivery timelines and link payments to milestones?

Clear delivery timelines and milestone payment schedules were not established at project approval stage. The department advised the Minister that it would establish these after the project was approved. However, 13 of the 33 approved projects did not have any milestones recorded or had incomplete milestones recorded, in part due to not yet having established the delivery timeline. Advanced payments increased project risk to the Australian Government. Monthly reporting obtained by the department from proponents on progress against milestones has not been to a consistent standard.

<sup>79</sup> Table 2.2, *Department of the Treasury Portfolio Budget Statements 2020–21*, includes funding for programs administered by the Infrastructure, Regional Development and Cities portfolio.

5.3 The National Partnership Agreement and related Notes on Administration require Australian Government funding to be provided to funding recipients based on the achievement of agreed milestones.<sup>80</sup> This is an important control mechanism intended to manage risk, to ensure that Australian Government funding is provided as it is needed, for purposes which it was intended and to encourage timely project delivery.

5.4 Proponents are required to propose a milestone schedule for their project in the Project Proposal Report. The department reviews these milestones and discusses changes with the proponent. Milestones are agreed in writing by the department and the proponent. Agreed milestones are to be entered into the department's Infrastructure Management System (IMS), and may be varied by agreement.<sup>81</sup>

### **Establishing milestones**

5.5 As at 31 March 2021, the department had provided 18 project assessment reports (covering the 33 commuter car park sites) to the Minister as attachments to the relevant project approval briefs. Each assessment report included a timeline for key project milestones as proposed by the proponents and the statement: 'Subject to approval of the [project/s], the Department in partnership with the [relevant proponent] will manage the establishment of payment milestones for the Australian Government component of funding'.

5.6 The departmental records did not evidence that clear delivery timelines were established post-approval.<sup>82</sup> On 24 February 2021, the department provided the ANAO with the phase and milestone data contained in the IMS for all 33 approved car park projects. Of these 33:

- five (15 per cent) did not have any phase or milestone details recorded notwithstanding they had been approved for funding by the Minister two months' prior<sup>83</sup>; and
- eight (24 per cent) had incomplete milestone details.<sup>84</sup>

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80 The approval process and administrative requirements set out in chapter 2 of the Notes on Administration apply to all projects approved under Part 3 of the NLT Act and listed in the Schedules to the National Partnership Agreement.

81 The Notes on Administration states: 'The Department acknowledges that with major procurement in the Delivery phase, it may not be possible to schedule Milestones for construction activities before a contract is awarded. In these circumstances, the Department will accept a Milestone schedule covering the lead up to contract award. Once construction contracts are signed, the Funding Recipient will be required to review and, where necessary, update the Milestone schedule to include construction activities.'

82 The last of the 33 car park sites was approved by the Minister on 14 December 2020. The IMS data examined by the ANAO was extracted on 24 February 2021.

83 On 23 March 2021, the department advised the ANAO that no milestone schedule had yet been agreed and that milestones will be uploaded to the IMS once agreed. In April 2021, the department advised the ANAO that for two of the five projects, the 'first milestone has been agreed and the Department is pursuing agreement of milestones with the delivery partner with the intent that a milestone schedule is agreed prior to construction commencing'.

84 Comprising seven delivery projects with \$83.7 million of approved funding and one development/early works project with \$5.5 million of approved funding. For each, a complete milestone schedule, setting out clear delivery timelines for the total amount of approved funding, had not been established. On 23 March 2021, the department advised the ANAO that additional funding is being requested for two of these projects (Croydon and Berwick). On 15 April 2021, the Australian Government decided to commit additional funding of \$49.2 million to the Berwick project.

5.7 The records also indicated the department taking an approach to recording milestones that is inconsistent with the administrative requirements set out in the Notes on Administration. All projects approved for funding should have details entered into the IMS within a reasonable timeframe, including the complete agreed milestone schedule with the milestones adding up to the total approved funding amount.

## Managing risk

5.8 A risk management strategy that had been adopted for 23 of the projects with uncertainties around site, cost and/or feasibility was to approve a scoping stage prior to consideration of the delivery stage. Where instead such a project was approved in full, then there was an opportunity for the department to use the milestone payment schedule to manage risk. The department, however, did not take this approach as demonstrated in the case study below of four projects being delivered by one council, wherein 70 per cent of the funding was paid upfront upon evidence of approval of the Project Proposal Report by the Minister.<sup>85</sup>

### Case study – establishment of milestones for four delivery projects

5.9 Between December 2019 and March 2020, four commuter car park projects being fully funded by the Australian Government and delivered by the same Victorian council were approved for delivery at \$15 million each. As at 31 March 2021, early scoping/development had commenced for three projects while the fourth still required additional scoping work in order to identify a preferred site.

5.10 For each project, the council proposed a milestone schedule in the Project Proposal Reports based on expected project timelines and forecasted cash flows, with payments linked to the achievement of project deliverables. The information the department provided the Minister, when recommending these four projects be approved for delivery, largely reflected the proponent's proposed milestone schedules.<sup>86</sup> The department did not advise the Minister of its intention to negotiate with the council to pay 70 per cent of the funding requested upfront. A summary of the negotiations on the milestone schedules is provided in Table 5.1.

85 The ANAO has highlighted issues with infrastructure project payment milestones in previous performance audits. For example, see: Auditor-General Report No.38 2016–17 *The Approval and Administration of Commonwealth Funding for the WestConnex Project*, paragraphs 2.22–2.35; Auditor-General Report No.1 2013–14 *Design and Implementation of the Liveable Cities Program*, p. 23; Auditor-General Report No.3 2010–11 *The Establishment, Implementation and Administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program*, Canberra, 27 July 2010, pp. 221–222.

86 In a subsequent briefing to the Minister, the department noted that two projects (Heathmont and Ringwood) would require additional funding (\$3.6 million and \$15.3 million respectively in Australian Government funding) and 'as the estimated costs for both projects has come in above the committed funding amount, the Council requires confirmation that additional funding is available prior to releasing the tenders'. The department therefore recommended that authority be sought from the Prime Minister to increase the funding allocations for these projects under the UCF. On 15 April 2021, the Australian Government decided to commit additional funding of \$3.9 million to the Heathmont project and \$14.7 million to the Ringwood project.

**Table 5.1: Summary of the negotiations on the milestone schedule for four projects**

Site	Council's proposal in Project Proposal Reports Sep 2019 & Jan 2020	Department's proposal 31 Jan 2020	Council's response 3 Feb 2020	Department's proposal 16 Mar 2020
Croydon	7% at contract award	70% at the commencement of the project ('tender award, construction start or another agreed milestone will suffice')  30% at project completion	30% following contract signing	70% at the beginning of a project (planning inclusive)  30% at the conclusion of construction
Ringwood	87% split into regular instalments paid on project deliverables 7% post completion <sup>a</sup>		40% at commencement of construction	
Heathmont	33% on land procurement 7% at contract award 53% split into regular instalments paid on project deliverables 7% post completion		30% at completion	
Heatherdale	13% on land procurement 7% at contract award 73% split into regular instalments paid on project deliverables 7% post completion			

Note: The descriptions of each milestone have been simplified for brevity.

Note a: Percentages do not add up to 100 per cent due to rounding.

Source: ANAO analysis of Department of Infrastructure records.

5.11 The final agreed milestone payment schedules for the four projects provided \$42 million (70 per cent) of the total cost of \$60 million upfront on approval of the Project Proposal Report — that is prior to any of the four projects being fully scoped — with the remaining funds to be paid on practical completion. Furthermore, despite reaching an agreement to have two milestones per project and having been approved for funding more than 11 months prior, all four had incomplete milestone details recorded in the department's IMS.<sup>87</sup>

5.12 As these four projects are fully funded by the Australian Government, the use of co-funding as a strategy for managing risks to Investment Projects does not apply. The approach taken by the department in establishing delivery timelines and milestone payments did not address the risks — rather 70 per cent of the total Australian Government funding committed to these projects was paid around seven to 10 months in advance of the expected construction start dates (see Table 5.2).

<sup>87</sup> The last two projects (Heathmont and Heatherdale) were approved by the Minister on 13 March 2020. The IMS milestone data examined by the ANAO was provided by the department on 24 February 2021.



**Table 5.2: Timing of payments compared to expected construction start dates**

Project	Date first milestone payment made	Expected construction start date
Croydon	22 May 2020	December 2020
Heathmont		March 2021
Ringwood	22 June 2020 <sup>a</sup>	February 2021
Heatherdale		March 2021

Note a: For both projects the \$10.5 million linked to milestone one was paid in two instalments with the first payment made on 22 April 2020 and the second on 22 June 2020. See further at paragraph 5.40.

Source: ANAO analysis of Department of Infrastructure records.

5.13 In the broader context of the National Commuter Car Park Fund, these four projects represent 49 per cent of all funding approved, and 55 per cent of all payments made, as at 31 March 2021.

### Recommendation no. 6

5.14 The Department of Infrastructure, Transport, Regional Development and Communications strengthen its controls over the establishment of delivery and payment milestones, including by setting out in the Ministerial approval briefing the department's proposed milestones or the parameters for negotiating those milestones.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

5.15 *The Department agrees that including advice to Ministers on milestones will provide additional assurance to Government regarding administration of the program. The Department is developing additional guidance in relation to developing and setting milestones, noting milestones are only one governance mechanism, others include regular meetings with delivery partners and regular reporting.*

### Monthly reporting on progress against milestones

5.16 Proponents are to submit a monthly progress report using a template provided by the department. When a milestone is scheduled for a claim, the monthly progress report is the mechanism for submitting claims for payment. Where no milestone is scheduled for a claim, then the Notes on Administration states that information provided on project progress for the monthly reporting period must include, as appropriate:

- 'progress against agreed milestones';
- 'known risks to Project completion and strategies adopted to mitigate these risks';
- 'key events to take place in the next two months (for example, request for an expression of interest, a tender, contract award, an opening, commencement of completion of a key Project stage)'; and
- 'details of Building Code breaches'.

5.17 The department generates an 'IMS Monthly Progress Report' each month. Against each Infrastructure Investment Program project the report contains, amongst other things, the status

information that has been entered into a free-text field by proponents for the relevant reporting period. The status information on state-delivered projects tended to be brief. The status information on council-delivered projects tended to be missing, with statements such as 'Council is liaising directly with DITRDC' and 'Commonwealth funded project to local council' entered in its place.

5.18 In March 2021, the ANAO requested copies of each monthly progress report the department had received to date for each of the four commuter car park projects delivered by the council that were examined in the case study above. Two of the projects had been approved 12 months prior, and the other two approved 15 months prior, to the date of this request. The department's response was:

The Department has been receiving monthly verbal updates from Maroondah City Council through regular stakeholder engagement meetings. The outcomes of project progress have been reflected in Implementation Tables. Council will be reminded in writing of the need to provide written progress reports.

5.19 To provide insight into whether there may be a broader issue with reporting, the ANAO requested a copy of the February 2021 reports for a further 17 UCF projects being delivered by councils. The department provided reporting information for 13 of the 17 projects and advised:

The Department regularly engages with all delivery partners and has arrangements in place to receive regular updates on progress. This includes in the majority of Councils to receive written monthly reports. Correspondence has been sent to councils that have not been providing written reports of the need to provide project updates in writing to the Department on a monthly basis.

## How many projects have commenced construction?

By 31 March 2021, five of the 47 commuter car parks initially announced (11 per cent) had commenced construction with two of these achieving practical completion.

5.20 As outlined in Table 5.3, by 31 March 2021 five car park sites had commenced construction with two having achieved practical completion.

**Table 5.3: Key dates for projects that have commenced construction**

Site	Construction start date	Construction end date
Completed projects		
Hurstbridge, Vic.	February 2020	November 2020
Beaconsfield, Vic.	August 2020	December 2020
Projects still under construction		
Craigieburn, Vic. <sup>a</sup>	June 2020	May 2021
Mandurah, WA	July 2020	Late 2021
Croydon, Vic.	October 2020	September 2021

Note a: This project is fully funded by the Victorian Government but has been agreed to be considered a 'joint interest site'.

Source: ANAO analysis of Department of Infrastructure records.

## Reasons given for slower than forecast roll-out

5.21 The UCF more broadly has 154 projects with separately identifiable works at 188 sites. As at 31 March 2021, the department recorded that works had completed at 27 sites (14 per cent) and construction had commenced at a further 25 sites (13 per cent). Many of these works relate to a single project, being the \$86.5 million Central Coast Roads project under which works had completed at 19 sites, had commenced at three sites and were in planning at the remaining seven sites.

5.22 The roll-out of project construction was slower than forecast, as evidenced by the UCF expenditure profile. For example, the budget for 2019–20 was \$720 million (as at Budget April 2019) while the actual for 2019–20 was \$148.1 million. Reasons publicly cited by the Department of Infrastructure for delays to construction of UCF projects, relative to forecasts or to public expectations, include it taking longer than anticipated to reach agreement with the states, as well as the impact of the bushfires and COVID-19.

### *Reaching agreement with the states*

5.23 The five commuter car park projects that had commenced construction by 31 March 2021 were existing state government projects (Western Australia and Victoria).

5.24 The delays in reaching agreement are in part a reflection of the number of projects announced for funding commitment without prior engagement with, and confirmed support by, the states and that were not shovel ready. Often little work had been done around project cost and viability prior to the announcements that could form the basis for an agreement.

5.25 In terms of potential improvements that would have helped deliver against the policy objectives more quickly, one state agency suggested to the ANAO in December 2020: ‘early engagement with States’. Similarly, another state agency advised the ANAO in January 2021:

the committed projects were at varying stages of planning. Therefore, further [state agency] planning and negotiation was required after the Australian Government announcements in order to properly consider funding and delivery arrangements before committing to delivery of the projects ...

As park ‘n’ ride facilities are an interface between different types of transport networks, planning and design requires broad engagement and agreement with various stakeholders who manage and operate the different networks (such as local government or state-controlled roads, public transport operators and stations, and private properties) ...

it is considered that early engagement of [the state agency] in the selection of projects would have resulted in earlier project delivery. *[Emphasis as per original]*

5.26 In its contribution to this audit, the National Growth Areas Alliance wrote:

The lack of transparency, consultation and strategic thinking in rollout of the Fund has resulted in missed opportunities to deliver much-needed projects in an efficient and timely way.

5.27 In addition, Parking Australia submitted to the ANAO that:

As the peak body for the parking industry we were not asked to be part of the identification of the potential sites. However, when the sites were announced Parking Australia was sceptical about how some of them would be delivered, especially how they might proceed through the planning process given the levels of bureaucracy required to deliver the projects. ... It is Parking Australia’s view that some consultation with parking experts would have assisted in the identification of sites

and would have assisted with the identification of barriers which could see the projects not being able to be delivered.

### *Impact of COVID-19*

5.28 The impact of COVID-19 on construction was limited by few projects being ready for construction from early 2020. Parking Australia submitted to the ANAO that:

The commuter car parks should have been shovel ready projects which could've been built during the height of the pandemic with little disruption to the commuter providing jobs for the construction industry and a benefit for the transportation network when people returned to work following state lockdowns.

5.29 In reference to the impact of COVID-19, a departmental 'backpocket' briefing for Senate Estimates October 2020 mentions:

- COVID-19 restrictions implemented by the Victorian Government have impacted the timeframes of two commuter car park projects currently under construction.
  - Hurstbridge was originally expected to be completed by August 2020 and is now expected to be completed in November 2020.
  - Craigieburn was originally expected to be completed early 2021 and is now expected to be completed in May 2021. ...
- The timeframes of projects currently in development and planning are unaffected at this stage.

5.30 The department had noted in its approval briefs to the Minister regarding:

- Berwick (approved for development and early works on 21 September 2020):

Victoria will deliver this project in-conjunction with its Berwick Level Crossing Removal project resulting in delivery efficiencies.<sup>88</sup> The Victorian Government has classified its Level Crossing Removal Program (LXRP) as state significant, which means there is no impact from COVID-19 restrictions.
- Beaconsfield (approved for delivery on 5 November 2020):

Victoria will deliver this project in-conjunction with its Level Crossing Removal project at Clyde Road resulting in delivery efficiencies. The Victorian Government has classified its Level Crossing Removal Program (LXRP) as state significant, which means there is no impact to construction timeframes due to COVID-19 restrictions at this time...

As at 30 September 2020, the Beaconsfield project remains unaffected by COVID-19 stage 4 restrictions. Construction timeframes may be affected if restrictions change.

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88 In its June 2021 response to an extract of the proposed audit report, the Victorian Department of Transport clarified: 'while the State proposed to take advantage of efficiencies in delivering the Australian Government's car parking commitment at Berwick as part of its level crossing removal project at Clyde Road, these efficiencies are no longer able to be realised owing to delays in the Australian Government only confirming its funding for delivery of the project on 28 May 2021'.

## How much funding has been paid?

As at 31 March 2021, \$76.5 million in Australian Government funding (12 per cent of the total Australian Government funding then committed to the National Commuter Car Park Fund) had been paid. This covered 28 car park sites with:

- \$18.7 million going to 20 scoping/development projects; and
- \$57.8 million going to eight delivery projects.

5.31 In order to receive a payment, proponents must submit a milestone certification requesting payment and providing evidence of achievement of the relevant milestone.<sup>89</sup> The payment request then goes through an authorisation process involving:

- an Executive Level 2 officer reviewing the evidence and recommending projects for payment in the department's IMS;
- the Finance team of the Infrastructure Investment Division reviewing the payment recommendations; and
- a Senior Executive Service (SES) Band 1 officer exercising the financial delegation and authorising payment.<sup>90</sup> In exercising delegation, the officer is to take into consideration the available documents supporting the achievement of the milestone, including evidence provided by proponents and any advice from departmental officers.

5.32 The Department of Infrastructure will then advise The Treasury to make the payment.<sup>91</sup>

5.33 As at 31 March 2021, the Australian Government had paid \$76.5 million (12 per cent of Australian Government funding committed)<sup>92</sup> with 25 car park sites having received one payment and three having received two payments. Of these 28 car park sites:

- \$18.7 million was paid to 20 scoping/development projects; and
- \$57.8 million was paid to eight delivery projects.

## Recording payment approvals

5.34 Authorisation by the relevant SES Band 1 officer for the 31 payments was recorded:

- electronically in the IMS and by countersigning the hardcopy milestone certification in 30 instances; and

89 As at 31 March 2021, 33 milestone certifications covering 28 car park sites had been provided to the department requesting \$76.5 million (62 per cent of funding approved).

90 In April 2021, the department advised the ANAO that 'the process of exercising financial delegation through making payments to delivery partners is implemented through the Department's Infrastructure Management System. An SES Band 1 officer exercises the financial delegation and authorises the payment through an electronic signature in IMS.'

91 This process is consistent with the Notes on Administration which requires funding recipients to submit a claim through the monthly report process to show if a project is eligible to claim payment based on the agreed milestones. The department will then pay out the funding if satisfied that the relevant milestone has been met.

92 The total amount of Australian Government funding committed to the Commuter Car Park Upgrades under the 2020–21 Schedules to the National Partnership Agreement was \$660.4 million.

- electronically in the IMS only (with no signed hardcopy) in one instance.<sup>93</sup>
- 5.35 Of the 30 instances where the delegate countersigned the hardcopy milestone certification:
- eight (27 per cent) were signed on the same day as the electronic approval date with payment made afterwards;
  - 17 (57 per cent) were signed before the electronic approval date with payment made after electronic approval recorded; and
  - five (18 per cent) were signed after the electronic approval date and payment already made.<sup>94</sup>
- 5.36 The department advised the ANAO on 19 February 2021 that:
- Countersigning hardcopy milestone certificates by the Department is not required and is only complementary to this electronic process of exercising financial delegation. While some SES officers will choose to physically sign paper documents, this is not a requirement of the process. Those SES officers that choose to physically countersign milestone certificates will usually also attach the certificate in IMS...
- As part of the Division's governance arrangements, a standard operating manual is being developed that seeks to standardise the Department's practices across the infrastructure investment program.

### **Inconsistency in approach**

- 5.37 Efforts to standardise practices are warranted. As outlined in paragraph 5.9, four projects being delivered by the same council had been approved by the Minister for \$15 million each. The milestone schedules contained in the signed project agreements provided for \$10.5 million to be paid on approval of the Project Proposal Report for each project.
- 5.38 For the Croydon and Heathmont car park sites, two separate milestone certifications were completed by the proponent to cover the same milestone (Approval of Delivery Project Proposal Report). The first certifications (requesting part of the payment) were validated by the department on 16 April 2020. The second certifications (requesting the remaining amount) were validated on 2 June 2020. However, one lump sum payment was made to the funding recipients in May 2020 before the second milestone certifications had been submitted by the council. Electronic approval for each lump sum payment was recorded on the same day as the payment was made. The ANAO's analysis of departmental records relating to these two projects indicated that a portion of funding for each project had been paid in advance of milestone certification and departmental validation.

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93 This related to the payment of \$10.7 million to the Mandurah car park site. The department's advice to the ANAO on 19 February 2021 included: 'The SES officer responsible for projects in Western Australia does not countersign hardcopy certificates and therefore there is no countersigned certificate on record for Mandurah'.

94 For Ringwood and Heatherdale, the hardcopy validation was signed three months after electronic approval was recorded and payment was made. For Mitcham, the hardcopy validation was signed nearly two weeks after the electronic approval was recorded and payment made. In all three instances, the payment was electronically approved before payment was made. For Croydon and Heathmont, payment had been made before the full payment amount had been requested by the proponent. For all five projects the milestones were related to project approval.

5.39 The department advised the ANAO in February 2021 that:

...the initial milestone payment requests from Maroondah City Council submitted in April 2020 were for a lesser amount than provided for in the project agreement. This was detected prior to payment being made and these payments were not progressed as part of the April payment run.

Changes in IMS were subsequently made to correct the payment amount for each project and payment was undertaken in May 2020. As part of the exercise of financial delegation, the relevant SES officer had regard to the evidence provided that the milestone had been met (the milestone being achievement of a signed project approval instrument).

An updated milestone certificate was requested by the Department to align the request from Council to the agreed milestone and amount paid.

5.40 A different approach was taken by the department for the Ringwood and Heatherdale projects where the same council had also submitted two certifications requesting payment of \$10.5 million in two instalments. For these two projects, the department separately authorised and paid the requested amount as per the milestone certifications.

5.41 The reason for the difference in approach was not recorded in the departmental records. The council had submitted the certifications for all four projects at the same time and the projects were administered by the same team within the department.<sup>95</sup>

5.42 In April 2021, the department advised the ANAO that:

The GAPR Committee is overseeing development and implementation of a staff Induction and Training Package to ensure all staff involved in the management of funding under the Infrastructure Investment Program (IIP) are fully aware of their obligations under the National Partnership Agreement and Notes on Administration ...

The GAPR Committee has discussed approaches to milestones and reiterated the obligations under the Notes on Administration. The business process stock-take and development of the training plan both highlight the importance of training for external parties, specifically Councils. The Committee has commissioned development of a training program that ensures Councils are aware of their legislative obligations in relation to the IIP.

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Grant Hehir  
Auditor-General

Canberra ACT  
28 June 2021

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<sup>95</sup> For all four projects, the first milestone certification was signed by the council on 15 April 2020 and the second on 28 May 2020.





## **Appendices**

## Appendix 1 Letters of response



Australian Government  
Department of Infrastructure, Transport,  
Regional Development and Communications

Secretary  
Simon Atkinson

Mr Grant Hehir  
Auditor-General for Australia  
Australian National Audit Office  
[OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au](mailto:OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au) (via email)

*Grant*

Dear Mr Hehir

### **Auditor General Proposed Performance Audit Report on The Administration of Commuter Car Park projects within the Urban Congestion Fund**

Thank you for providing the Department of Infrastructure, Transport, Regional Development and Communications (the Department) with the opportunity to comment on the Australian National Audit Office's proposed report on our administration of commuter car park projects within the Urban Congestion Fund (UCF).

While the audit has made recommendations that will strengthen the Department's approach to administration of the Urban Congestion Fund, the Department does however disagree with a number of conclusions and findings in the report. In particular the Department does not agree with the ANAO's findings of the Department in relation to the initial design and project selection, as well as the findings in relation to eligibility.

Chapter 2 of the proposed report outlines the initial steps taken by the Department to design a process for selection of projects. The Australian Government, as outlined in the proposed report, then identified and selected all the projects including 27 commuter carpark sites that were selected on the day before the caretaker period commenced and announced during the election. A further 7 car park projects were also announced during the election. These 34 projects are considered to be election commitments by the Government and are treated as such by the Department. Once projects have been announced by Government, the role of the Department is then to implement the projects consistent with relevant legislation.

In Chapter 3, the proposed report focuses on whether the Department put in place a process for engaging with states and territories on the identification of candidate projects. The nature and timing of the project selection as described by the ANAO meant that the Department's role in engagement with stakeholders was limited to the period after the projects were announced, in order to facilitate delivery.

Given the above, the Department disagrees with the finding in the Audit snapshot (and restated in the Conclusion section) that the Department's administration was not effective as this assessment fails to take into account that the projects were election commitments made to the Australian people during an election campaign and that the Department was directed to implement them consistent with delivery of election commitments. The failure to recognise this, and that administration by the Department was based on this rather than another type of program, may leave readers of the report without a full understanding of what happened in this program, particularly with respect to project selection issues.

Further, the Department considers that reference to the zero (0) per cent of commuter carpark projects proposed by the Department needs to include context that the projects are considered by the Australian Government to be election commitments.

I have outlined below further areas where the Department disagrees with the ANAO's findings or where, without appropriate context, readers of the report may be misinformed.

#### *Project identification and selection*

The Department does not agree with the audit conclusion that the Department's approach to identification and selection was not appropriate, given the process by Government of project identification and selection outlined in the report. The Department also considers the commentary regarding a lack of advice on the merits of the selection of projects does not reflect the process undertaken by Government. As outlined above, commentary in the report needs to reflect the Audit

Snapshot which highlights no commuter carpark site was proposed by the Department and that the Government considers all of these projects to be election commitments.<sup>6</sup>

Similarly, the Department does not agree with the ANAO finding that the Department did not appropriately engage with state governments and councils as part of the process of project identification.<sup>6</sup> The Department's role is to implement the Australian Government's program of election commitments. Extensive engagement has been undertaken with delivery partners through a variety of mechanisms and processes to progress delivery of the projects (highlighted in Chapter 3 and the basis of analysis in Chapters 4 and 5).

#### *Fund design*

The conclusions made in the proposed report regarding the design of the Urban Congestion Fund do not fully consider the interaction with key aspects of the process:

- The process and timing of the decisions by Government to expand the investment in the UCF and to select projects, as part of the 2019 election as outlined above
- The majority of the projects (over 70 per cent by number and 80 per cent by dollar value) under the Urban Congestion Fund are traditional road projects that do not require tailored approaches to existing program management arrangements.

The proposed report finds that the Department did not identify avenues through which UCF projects could be identified.<sup>6</sup> This finding in Chapter 1 is in conflict with the report's analysis in Chapter 3 that the proposed commuter carpark sites were identified and selected by Government.

The Department considers that the mechanisms and governance requirements of the National Land Transport Act and broader IIP framework provide robust governance for the delivery of projects. Of the \$4.0 billion committed to projects under the Urban Congestion Fund as at 31 March 2021, more than 80 percent related to road or planning projects that are core activities administered by the Department as part of the \$110 billion Infrastructure Investment Program. The Department does however agree that implementation plans should be considered for new programs where existing mechanisms are not sufficient.

The Department notes that information on projects within the IIP, including projects under the UCF, is publicly available through the Department's website, the State schedules supporting the National Partnership Agreement for the delivery of infrastructure projects, and on the Australian Parliament House website as project information is tabled through Senate Estimates processes at each hearing since the 2019-20 Budget Estimates hearings.

The Department notes the ANAO's findings in relation to developing specific KPIs and Evaluation Criteria. The Department considers that there are clear KPIs designed around the delivery of projects that apply to projects being delivered including those under the UCF including the commuter car parks (for example travel time savings, safety benefits, transport costs for road freight, jobs supported).<sup>6</sup> The Department regularly reviews KPIs to ensure that reporting mechanisms are appropriate.

Further, there are substantial transparency and accountability measures in place to ensure Parliament is fully informed including, but not limited to:

- financial statements
- budget papers, and
- senate estimates processes.

#### *Eligibility of commuter carpark projects under the Act*

The Department disagrees that inadequate assessment attention has been given to the eligibility of projects and with the suggestion that the Department lacked a clear understanding of the operation of the eligibility provisions of the *National Land Transport Act 2014* (NLT Act) in relation to commuter carparks (Chapter 4).<sup>6</sup>

The Department had, from the time commuter carparks were incorporated into the Urban Congestion Fund, a sound understanding, informed by a range of legal advice, of the eligibility of commuter carpark projects under section 10(e) of

the NLT Act. It also appears to take simple clerical errors as evidence of a lack of understanding of legal eligibility, notwithstanding the fact that extensive legal advice was sought.

Similarly, the report's discussion regarding carparks being attached to rail stations questions the timing and content of legal advice without regard to the Department's understanding of the major issues at the time. Legal advice sought in February 2021 brought together advice previously sought in relation to intermodal facilities to comprehensively address related issues, is consistent with previous advice held by the Department.

#### *Project delivery*

The Department considers that there are well established mechanisms for management of projects under the Infrastructure Investment Program as set out in the governance requirements of the NLT Act. As part of the Department's administration of the Infrastructure Investment Program the Department has the administrative systems, templates and processes in place to support implementation of the UCF.

In its advice to Ministers to support decision making the Department includes a value for money assessment. While the Department does not agree with the premise of the report that the assessments are not adequate, it supports the ANAO principle of strengthening the advice including through the provision of information on benchmarking costs to industry standards. Further, the Department agrees with the overarching conclusion that efforts to standardise practices in our administration of infrastructure investment are warranted.

The Department however considers the benchmarking is most relevant at the delivery stage (once feasibility studies have been completed and costs identified) to enable costs and number of spaces to be accurately reflected.

The report recognises the work being undertaken within the Department to develop cost benchmarking, benefits measurement and supporting guidance for staff in the development of value of money assessments. This work is ongoing and continues to develop, informing advice to portfolio Ministers as projects progress through the approval process to the commencement of construction.

The Department notes however, that benchmarking is only one aspect of any value for money assessment and is general in nature as industry standards fail to take into account site specific cost drivers such as costs associated with land acquisition, utility adjustments or additional works such as deflection walls which are required by law for multi-storey carparks adjacent to rail lines as a safety barrier in the case of derailments. Higher costs can also be driven by the complexity of an individual project site, such as costs associated with decommissioning and demolition of existing at-grade car parks or other facilities on site, including existing structures, utilities and water infrastructure.

The report recognised the development by the Department of a benefits cost estimation tool for commuter car parks, which has now been independently assessed and is consistent with the Australian Transport and Assessment Guidelines. The benefits cost estimation tool overall demonstrates the significant benefits to be captured through transitioning commuters to modes of public transport.

#### *Recommendations*

Please accept this letter as the Department's summary response to the proposed report. The Department acknowledges the ANAO's recommendations and a response to each of the recommendations is attached. I respectfully request that the response be published in full.

Please contact Mr Philip Smith, First Assistant Secretary, Infrastructure Investment Division if you would like to discuss this response.

Yours Sincerely



Simon Atkinson  
// June 2021

*ANAO comment on the Department of Infrastructure's response*

- (a) See paragraphs 3.13 and 3.14.
- (b) Irrespective of whether they were election commitments, the department was responsible for advising the Minister on whether projects were eligible and appropriate for approval under the *National Land Transport Act 2014* as well as whether expenditure would be efficient, effective, economical and ethical under the *Public Governance, Performance and Accountability Act 2013*. Chapter 4 of the audit report examines whether funding decisions on commuter car park projects were informed by appropriate advice from the department.
- (c) See paragraphs 3.13 and 3.14.
- (d) See paragraphs 3.18 to 3.30.
- (e) See paragraphs 2.10 to 2.18.
- (f) See paragraphs 2.42 and 2.43.
- (g) The department's approach to assessing eligibility is examined in paragraphs 4.13 to 4.30.
- (h) The department's approach to assessing the merits of projects is examined in paragraphs 4.33 to 4.56.



PARLIAMENT OF AUSTRALIA • HOUSE OF REPRESENTATIVES

## PAUL FLETCHER MP

Federal Member for Bradfield  
Minister for Communications,  
Urban Infrastructure,  
Cities & the Arts

Mr Grant Hehir  
Auditor General  
Australian National Audit Office  
38 Sydney Avenue  
Forrest ACT 2603

Dear Mr Hehir

Thank you for the opportunity to provide comment on your draft report *Administration of the Commuter Car Park Projects within the Urban Congestion Fund*.

When I was appointed to the Urban Infrastructure portfolio in December 2020, I took through cabinet processes a number of decisions regarding the Urban Congestion Fund (UCF) and Commuter Car Park (CCP) Fund.

### UCF design

As outlined in your draft report, there was a clear policy objective for the UCF and its component CCP Fund. The UCF includes small-scale road infrastructure projects to ease congestion, while the CCP Fund is designed to encourage commuters to take public transport as a means to reduce road congestion and increase access to transport services.

Infrastructure Australia (IA) had recommended increased public transport patronage through increased commuter car park capacity in its November 2018 report, *Outer Urban Public Transport: Improving Accessibility in Lower Density Areas*. The benefits of increased public transport patronage are well evidenced, support by the community, and recommended by agencies such as Infrastructure Victoria. This evidence underpinned the rationale for the establishment of the CCP Fund.

### Project identification and selection

I do not agree with the report's finding that only seven CCP sites were selected as election commitments. Rather, I consider that the advice of the Department of Infrastructure, that 34 CCP sites should be categorised as election commitments, is correct. This is because the projects were committed to publicly as part of the election campaign, and these are to be delivered as election commitments. This means that two thirds of all CCP projects were election commitments, with this figure rising to 75% in Victoria – and the Coalition was elected to deliver them. The remainder were decisions of Cabinet, as has been standard practice for major transport infrastructure decision under successive governments.

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*Transport infrastructure investment across Australia's major urban centres*

The Australian Government makes investment decisions to optimise long term transport outcomes in all our major cities. The bulk of the \$110 billion 10-year infrastructure pipeline is the result of close collaboration - and formal agreement – with state and territory governments. As a result, the Australian Government's investments span different transport modes, services and time periods across major urban centres that align with state and territory priorities, as well as our own priorities.

For example, to ease congestion in South East Queensland, the Australian Government is funding three stages of the Gold Coast Light Rail, and major upgrades to the M1 Motorway. In Perth, the Australian Government has committed \$2.7 billion to METRONET heavy rail, while in Adelaide \$4.5 billion has been committed to the North South Corridor motorway project. In Sydney, \$14 billion has been committed to projects in Western Sydney including the development of a second international airport and associated driverless metro rail and road links.

Melbourne, for example, has a clear and pressing need for more commuter car parks. It was the fastest growing city in Australia, had the greatest increase in road congestion (according to the Australian Automobile Association), and has a lower level of public transport access compared to Sydney.

This was made clear in the 2018 Infrastructure Australia Report that you cite. It found that 1.4 million residents in Melbourne were not within walking distance of public transport compared to 1 million in Sydney. Public transport ridership is also lower in Melbourne (44%) compared to Sydney (51%).

*Transport infrastructure investment across Melbourne*

By far the biggest commitments made by the Australian Government in Melbourne have been in the west and north-west, areas which your report find have the worst congestion. These commitment include \$5 billion to the Melbourne Airport Rail Link, \$2 billion to the Geelong Faster Rail, and \$2.1 billion recently announced for a new intermodal freight terminal to take trucks off the road. This \$9.1 billion investment in three transformational mega-projects will greatly enhance transport network performance for commuters and reduce congestion.

**Delivery performance**

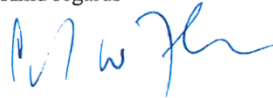
Infrastructure delivery has long lead times and the Australian Government relies on state and local government delivery partners to progress projects on our behalf. Our delivery partners undertake scoping activities, such as feasibility studies, options analysis, costings and project schedules. As projects move into the development phase, our delivery partners undertake detailed planning, community consultation, environmental approvals, preconstruction works, procurement and property acquisition. Activities and project complexities vary across projects, and as such, lead times before construction can vary significantly but also take years to finalise.

Under our current forecasts, the CCP program is largely in the development and construction phase. By the end of this year, we anticipate 15 commuter car parks will

have commenced construction, and by the end of 2022, over 75% per cent of projects would have commenced construction or reached completion.

I thank you for the opportunity to respond to the draft report, and I welcome the recommendations made to improve administration of the CCP Fund.

Kind regards



Paul Fletcher

11 / 6 / 2021





## Department of Transport

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Ref: BSEC-1-21-7369R

Mr Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Mr Hehir

**Australian National Audit Office – Proposed Report – The Administration of Commuter Car Park Projects within the Urban Congestion Fund**


Thank you for your letter of 17 May 2021 relating to the 'The Administration of Commuter Car Park Projects within the Urban Congestion Fund' performance audit and for the opportunity for the Department of Transport (DoT) to provide comments on the proposed report.

While I note the general findings of the report are accurately presented as they relate to Victoria, some elements of the report infer that decisions and directions in relation to various sites in the Australian Government's commuter car park program have been made by the State and provided to the Commonwealth, where this is not the case. Specifically, the report indicates that Victoria made directions that it would not deliver commitments at South Morang and Brighton Beach.

Since the Australian Government made its car parking commitments, my Department and the Level Crossing Removal Project have worked with the Commonwealth Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) to undertake feasibility and scoping assessments across the sites and in providing advice to the Commonwealth on options to deliver on its commitments. The Commonwealth has since made decisions to progress options (or otherwise) in its own right, based on this advice.

My officers have provided feedback to the ANAO on the proposed draft report extract to enable the most accurate presentation of the facts surrounding the administration of the Australian Government's Commuter Car Park Projects within the Urban Congestion Fund.

Yours sincerely

  
**Paul Younis**  
Secretary  
Department of Transport

8/6/2021



## Appendix 2 Geographic distribution in Victoria of factors relevant to the policy objectives of the commuter car park fund

1. The ANAO examined whether the distribution of the projects selected for funding in Victoria was a reflection of the geographic distribution of train stations. There was not a correlation, as illustrated below.

**Figure A.1: Location of candidate projects relative to the Victorian train network**

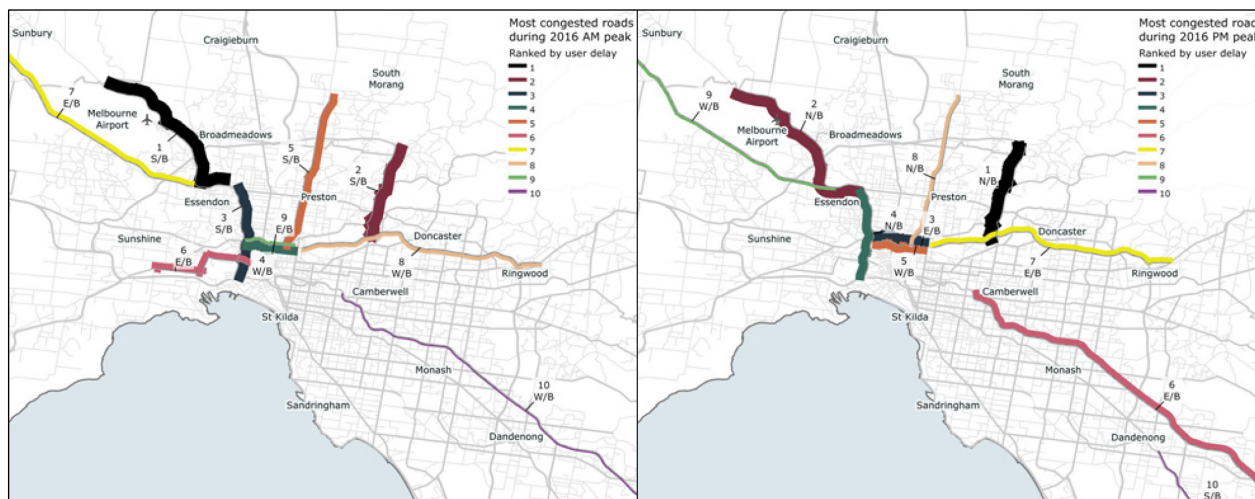


Note: The red ovals were added by the ANAO to mark the train stations at which candidate commuter car park projects had been selected. The Doncaster bus station was added to the map by the ANAO.

Source: ANAO analysis of Department of Infrastructure records.

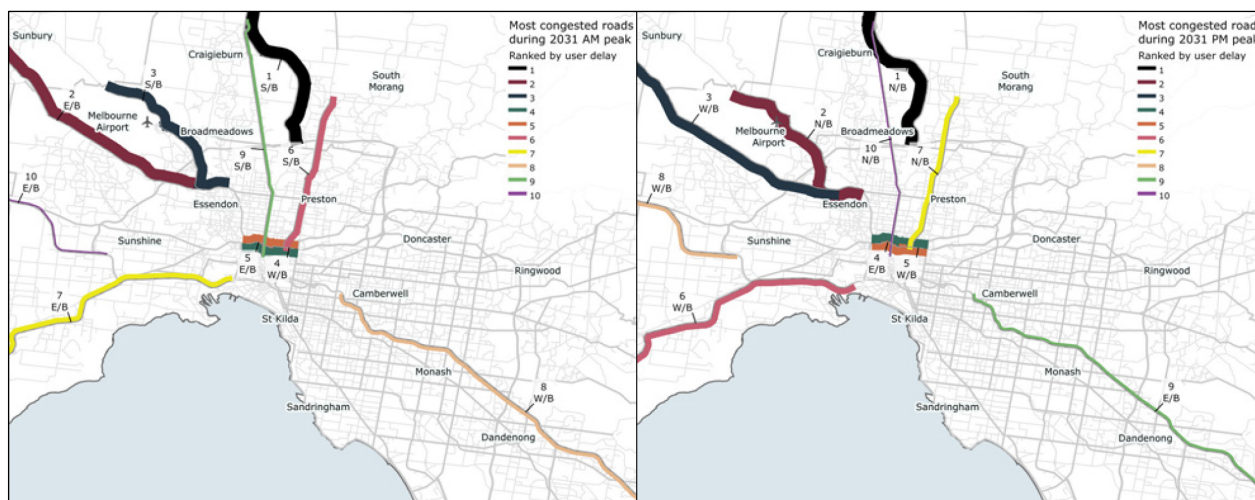
2. The ANAO examined whether the distribution of the projects selected for funding reflected the distribution of the state's most congested road corridors. There was not a correlation with the current or projected future distribution, which tended towards the North-West, as illustrated below.

**Figure A.2: Location of Melbourne's most congested roads, 2016 AM (left) and PM (right) peak periods**



Source: Infrastructure Australia, *Urban Transport Crowding and Congestion*, June 2019, Figure 33, p.57. For underlying data, see Veitch Lister Consulting 2019, *Transport Planning for the Australian Infrastructure Audit: Transport Modelling Report for Melbourne*, p 86.

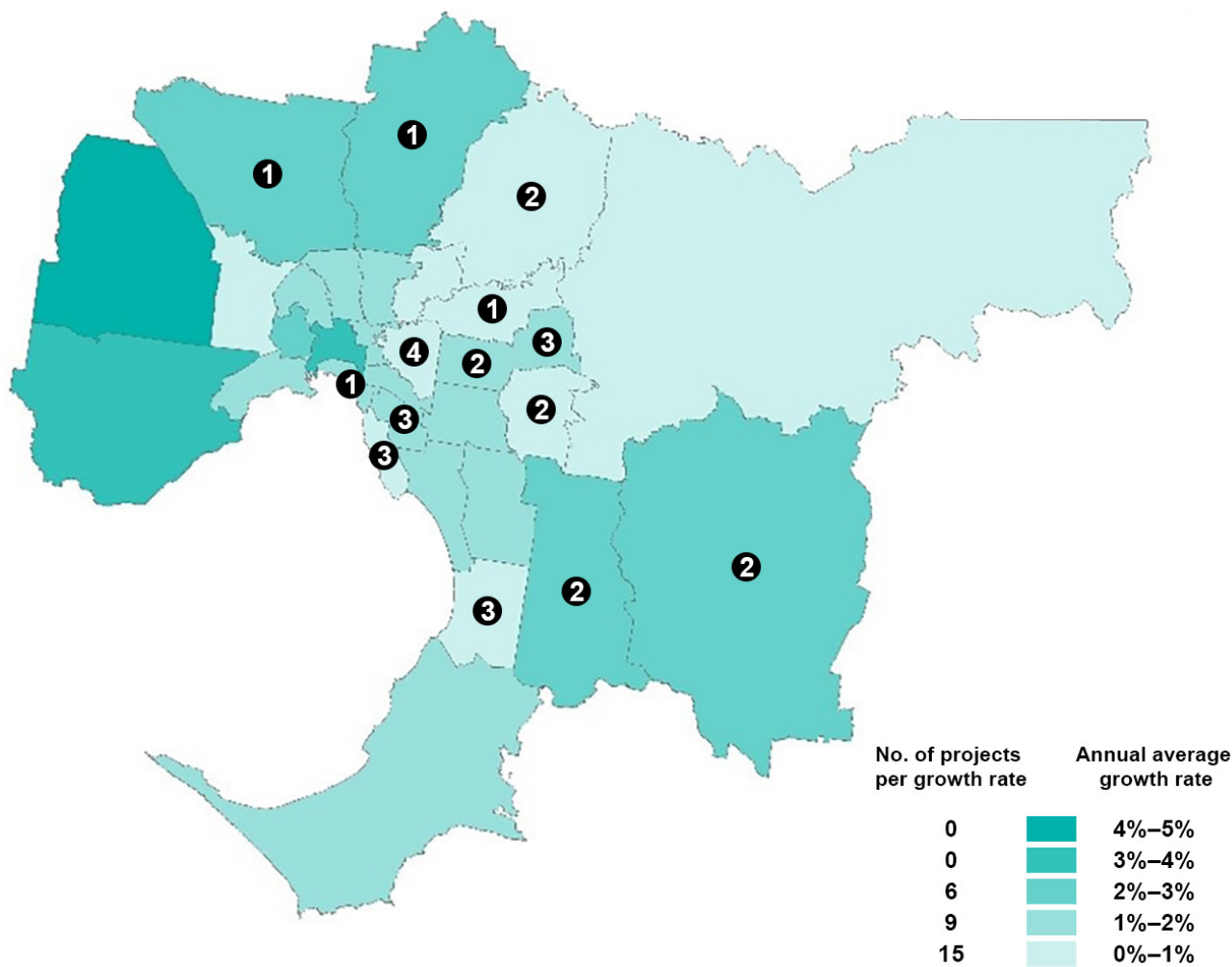
**Figure A.3: Location of Melbourne's most congested roads, 2031 AM (left) and PM (right) peak periods**



Source: Infrastructure Australia, *Urban Transport Crowding and Congestion*, June 2019, Figure 40, p. 65. For underlying data, see Veitch Lister Consulting 2019, *Transport Planning for the Australian Infrastructure Audit: Transport Modelling Report for Melbourne*, p 87.

3. The ANAO examined whether the distribution of the projects selected for funding reflected projected population growth. For this analysis, the ANAO used the official Victorian state government projections of population published in *Victoria in Future 2019*. There was not a correlation evident, with projects tending towards local government areas with lower growth projects, as illustrated below.

**Figure A.4: Location of candidate projects in, and annual average growth rates of, local government areas**



**Note:** Figures added by the ANAO to identify the number of car park sites in each Local Government Area and the total number of candidate projects in each 'Annual average growth rate' band.

**Source:** ANAO analysis of Department of Infrastructure records; Figure 6 – Annual average rate of population change, Metropolitan Local Government Areas (LGA) in the State of Victoria Department of Environment, Land, Water and Planning, *Victoria in Future 2019: Population Projections 2016 to 2056*, July 2019.