Green Building Council of Australia

Building to bounce back
Maximising infrastructure investment to stimulate the economy and deliver for communities

The twin economic and health shocks created by COVID-19 are reshaping business and government

Even as work continues to bring the transmission of COVID-19 under control, governments are readying both immediate and medium-term policy actions to offset the economic downturn.

Appropriately, the most urgent efforts are focused on the protection of people and businesses most immediately affected – addressing cash flow, safeguarding jobs, and introducing protocols to safely release some parts of the economy from the blanket lockdown (such as construction sites).

But increasingly, in parallel with policies seeking to pivot the economy in preparation for recovery, governments are also turning their attention to medium and longer-term interventions as the growing scale of the challenges we face emerges. The Green Building Council of Australia (GBCA) is ready to work with governments to support these policies and maximise their benefits for communities across Australia. This call to action outlines six recommendations as a foundation for the GBCA, working in partnership with government, to support our bounce back.
The role of infrastructure

We know infrastructure will play a key role in Australia’s economic recovery. Governments well understand that every dollar invested in public infrastructure delivers four dollars of value in GDP over the life of the asset\(^1\). Australia’s social and economic infrastructure sectors account for around 21% of the national GDP and every dollar of value we create is reliant on infrastructure in some way\(^2\).

Gains from infrastructure are fully realised, however, only when projects deliver tangible benefits. Driven by the imperative to invest, many governments across Australia face the challenge of selecting the right projects – those with the greatest potential to grow the economy and benefit society. The need for best practice decision making, that maximises the economic and social impact of infrastructure procurement, has never been greater.

The Green Building Council of Australia believes that government leaders, armed with the mandate to act decisively, should be ambitious in their vision and embrace best practice approaches to infrastructure decision making.
In order to support the delivery of better outcomes for projects and communities, and help Australian governments fully leverage their purchasing power in this critical time, the GBCA proposes the following ways that governments can get the most out of their infrastructure spend:

1. **Maximise liveability, productivity and sustainability outcomes**

   In the current environment – where governments are preparing to scale up recovery from an economic shock – investments must generate tangible benefits to the economy and the public.

   The need to mobilise quickly must be balanced with the importance of selecting projects using reliable data and analytics, robust financial models and an assessment of community needs. Infrastructure Australia has previously provided guidance on best practice decision making, through the Infrastructure Decision-making Principles which lays out clear expectations for nationally significant, publicly funded projects across the project lifecycle, from problem identification to post-completion review.

   To fully capture the economic and public benefits of an asset, the GBCA recommends that project selection should consider both direct and indirect economic impacts, such as:

   - Economic activity from construction and flow-on effects, including the possible opportunities for local workers, suppliers and contractors
   - Productivity growth resulting the removal of economic bottlenecks like congestion
   - Possible network effects achieved through the coordination of infrastructure, where the investment is compatible with existing infrastructure
   - Any revenue that might accrue to government budgets directly or indirectly through tolls and value capture opportunities
   - Increased productivity from improved health and wellbeing benefits.

   In addition to the economic value, broader benefits in relation to social and environmental impacts must be considered early in project scoping. As industry and government research show, there is a powerful argument for reforming business case assessments to recognise whole-of-life benefits upfront, and to prioritise projects that deliver the most liveability and sustainability dividends.

   The 2019 summer bushfires served to illustrate how growing risks from environmental changes are driving the need for infrastructure that is resilient to future shocks and extreme weather events. Infrastructure Australia has identified climate change, and the related need for emissions reduction and adaptation, as a key future trend for Australia that will have implications for our infrastructure over the next 15 years and beyond. Projects delivered today must accommodate the predicted impacts of climate change and be designed to support the transition to net zero emissions.
Infrastructure assets are by their nature long-term investments. Today’s strategic decisions, while responsive to current economic conditions, need to be made with future trends in mind.

2. Use procurement to drive supply chain benefits

Australia’s construction industry is one of the country’s strongest economic drivers, with ongoing demand for skilled staff to work on large-scale infrastructure projects. Given the links between productivity and project investment, governments should seize the enormous opportunity presented by new projects to upskill workers, accelerate technological adoption and innovation and boost sector competitiveness.

One way that infrastructure investments can build competitive advantage is through addressing current limitations on the supply chain, and driving demand for more efficient products and technologies. The volume and scope of infrastructure projects and their expenditure means procurement decisions can influence the cost and availability of technologies and drive economies of scale for certain products. For instance, the World Green Building Council has observed that public sector action can help to create a level playing field for low and zero carbon materials and technologies, whilst providing the long-term confidence needed for business investment into these sectors. Governments should investigate how procurement targets and policies can help to incentivise market maturity and drive capacity in key sectors earmarked for development, in line with its own strategic objectives relating to emissions reduction and the use of recycled products and materials.

3. Scale up what works

Australia’s infrastructure capability is already strong by global standards, and our experience with large-scale sustainable projects is well recognised. Our market has proved the perfect testbed for some of the world’s most innovative sustainable building solutions, as evidenced through the 2,500+ projects rated by Green Star since 2003.

To deliver the greatest benefits from infrastructure investment, governments should look to examples of excellence within the property and construction industry. There are many existing projects which underscore our expertise in areas such as carbon mitigation and adaptation, energy modelling, sustainable building design and engineering, building management systems and recycled, low-toxicity and modular building products. Many of these approaches are yet to be adopted at scale, however, the volume and scope of infrastructure investments on the horizon can provide a channel for this local expertise to be more widely applied. These approaches can help lower operating costs, increase asset value and improve the productivity and wellbeing of citizens across a broader portfolio of projects.

4. Provide transparency and accountability

A critical component of collaboration with industry is communication and transparency. In the weeks and months ahead, maintaining regular and meaningful dialogue with industry will be central to restoring business confidence. In order to provide greater transparency, regular briefings with industry on the status of the infrastructure pipeline will mean industry is well positioned to support delivery and spur investment into training and upskilling the workforce. This is critical to ensure projects are effectively scheduled across jurisdictions to maximise skills development and supply alongside business investment.
Greater transparency should also be applied to infrastructure project delivery itself, through measurement and communication of outcomes. Collecting and communicating data demonstrates accountability and achievement on each individual project, but also informs decision making on future projects. It also helps us understand how users benefit from infrastructure – a key priority emphasised in the most recent Australian Infrastructure Audit. Post-completion reviews provide insight as to whether intended benefits have been realised, and also ensure that lessons learned through planning and delivery can be applied to future decisions. The community’s support, or frustration with infrastructure projects, will in part be determined and understood through the extent to which outcomes are delivered and communicated.
Summary of recommendations for Australian governments:

1. Seek to maximise productivity, liveability and sustainability outcomes through project selection and business case development.

2. Recognise whole-of-life benefits upfront and prioritise projects that deliver significant liveability and sustainability dividends.

3. Use procurement to build competitive advantage in the supply chain, encourage skills and business investment, and drive demand for more efficient products and technologies.

4. Bring forward the best lessons learnt from existing projects and scale up best practice approaches to asset design, construction and operation.

5. Maintain regular dialogue with industry to ensure transparency, industry coordination and support business confidence.

6. Collect and analyse data to demonstrate progress against project objectives and communicate outcomes to provide accountability.

About the GBCA

Established in 2002, the Green Building Council of Australia (GBCA) is the nation’s authority on sustainable buildings, communities and cities. Our vision is for healthy, resilient and positive places for people. Our purpose is to lead the sustainable transformation of the built environment. The GBCA represents more than 550 individual companies with a combined annual turnover of more than $56 billion. Our membership reflects the diversity of Australian business with more than 400 small-to medium enterprises, 80 companies with annual turnover of more than $100 million and 28 companies listed on the ASX200 with a combined market capitalisation of more than $758 billion. Members include major developers, professional services firms, banks, superannuation funds, product manufacturers, retailers, utilities and suppliers – and together they represent 50,000 people. We also work with 35 local government members, representing 31% of Australia’s population, 25 state government departments and land organisations, and 22 universities.
References


