

# CHAPTER 6

Infrastructure Australia





Australian Government  
Infrastructure Australia

29 September 2009

The Hon Anthony Albanese MP  
Minister for Infrastructure, Transport,  
Regional Development and Local Government  
Parliament House  
CANBERRA ACT 2600

*Dear Anthony,*

I am pleased to present the Infrastructure Australia Annual Report for the year ended 30 June 2009.

This report has been prepared in accordance with section 26 of the Infrastructure Australia Act 2008, which also requires that you table the report in the parliament. During the year, Infrastructure Australia fully achieved its targets as published in the Infrastructure, Transport, Regional Development and Local Government 2008–09 Portfolio Budget Statements. Nationally consistent public–private partnership guidelines were prepared for COAG endorsement; the National infrastructure audit was completed and the Infrastructure Priority List was also prepared for COAG endorsement. A detailed report on Infrastructure Australia’s performance appears as Chapter 6 of the Infrastructure, Transport, Regional Development and Local Government 2008–09 Annual Report. The Department’s Annual Report contains the information required under the Freedom of Information Act 1982.

There were no ministerial directions given to Infrastructure Australia under paragraph 5(2)(j) or subsection 6(1) of the Infrastructure Australia Act 2008 during the year. In December 2008, you gave a direction to the Infrastructure Coordinator under section 28(2) of the Infrastructure Australia Act 2008, to facilitate development of an intermodal terminal at Moorebank in Sydney’s south western suburbs.

I would like to take this opportunity to thank the staff of the Office of the Infrastructure Coordinator for their professionalism and dedication in assisting Infrastructure Australia to achieve these goals and the other activities that were performed by Infrastructure Australia this year.

Yours sincerely, *and many thanks for your support and encouragement for IA.*



**ROD EDDINGTON**  
Chair  
Infrastructure Australia

# OUTPUT 1.1.2—INFRASTRUCTURE INVESTMENT COORDINATION

## Highlights

In 2008–09:

- Audit of Nationally Significant Infrastructure completed;
- Infrastructure Priority List presented for the government's consideration;
- National Public Private Partnership Policy and Guidelines endorsed by the Council of Australian Governments; and
- nationally consistent approvals process for major infrastructure projects recommended to the Council of Australian Governments.

## Overview

The Infrastructure Australia component of Output 1.1.2. is delivered through the work undertaken by the Office of the Infrastructure Coordinator (refer also to Output 1.1.2 in chapter 3). The output does not have administered programs.

Infrastructure Australia is a statutory body which advises governments, investors and infrastructure owners on a wide range of issues. These include Australia's current and future infrastructure needs; mechanisms for financing infrastructure investments; policy, pricing and regulation and their impact on investment and on the efficiency of the delivery, operation and use of national infrastructure networks. The Infrastructure Australia Council also advises on the development of regulative frameworks and the more efficient operation and delivery of infrastructure, to promote productivity improvements.

Infrastructure Australia has 12 members, formally appointed by the Federal Minister for Infrastructure, Transport, Regional Development and Local Government.

The Infrastructure Coordinator is a statutory office holder.

## Summary of performance

Table 6.1 summarises Infrastructure Australia's results in delivering Output 1.1.2 against the key performance indicators and targets published in the 2008–09 Portfolio Budget Statements.

Table 6.1 Summary of performance—Output 1.1.2

Key performance indicator	Target	Result
<b>Outputs</b>		
<i>Nationally consistent public–private partnership guidelines prepared for COAG endorsement</i>	By October 2008.	Guidelines endorsed by COAG in November 2008.
<i>National infrastructure audit completed by Infrastructure Australia</i>	By December 2008.	Audit completed and report published in December 2008 as a report to COAG.
<i>Infrastructure priority list prepared for COAG endorsement</i>	By March 2009.	Priority list included in December 2008 report to COAG.



Sir Rod Eddington  
Chairman



The Hon Mark Birrell



Professor Peter  
Newman



Ms Heather Ridout



Mr Terry Moran AO



Mr Ross Rolfe AO



Mr Phil Hennessy



Mr Jim Hallion



Mr Garry Weaven



Mr Anthony Kannis



Dr Kerry Schott



Dr Ken Henry AC

## Detailed report on performance

The following report is against the headings from the applicable output from the 2008–09 Portfolio Budget Statements. Please note that for this output, the section ‘II Other activities’ has been added to address the provision of advice on productivity improvements in relation to a number of areas including communications, energy and water.

### I Infrastructure Australia

#### Audit of nationally significant infrastructure

Infrastructure Australia conducted an audit of significant transport, water, energy and communications infrastructure across Australia, to identify the problems and challenges Australia faces.

A discussion paper, *Australia's Future Infrastructure Requirements*, was released, calling for submissions on the nationally significant problems and potential solutions by 15 October 2008. Infrastructure Australia received more than 600 submissions, collectively suggesting more than 1,000 initiatives, in response to the discussion paper. Submissions were received from Australian Government agencies, the state and territory governments, industry representative organisations, individual companies, and members of the public.

The results of the audit were published as *A Report to the Council of Australian Governments* in December 2008. The report is available from Infrastructure Australia's website.

Figure 6.1 sets out the nine major infrastructure challenges identified by the audit.

### Figure 6.1 The major infrastructure challenges facing Australia

1. Deliver better governance: inefficiencies and inconsistencies in governance adversely impact infrastructure operations and investment in Australia.
2. Create competitive markets: regulatory complexity and competitive anomalies impede the operation of efficient and competitive infrastructure markets, including the development of a nationwide, world-class communications network.
3. One nation, one set of rules: inconsistent rules, legislation and regulations governing markets impede productivity and create unnecessary costs.
4. Better use of existing infrastructure: changes in the operation, pricing or use of existing infrastructure to solve problems without the need for investment in additional capacity.
5. Climate change: in addition to requiring a shift to a low carbon economy, climate change is increasing the demand for improved infrastructure, such as efficient public transport systems and low carbon intensive methods of power generation.
6. Supporting our cities: improving the liveability, sustainability and productivity of Australia's major cities.
7. Boosting exports: Increasing the productivity of Australia's international gateways, making sure that they can meet the rapidly growing freight task without adverse impacts on community amenity.
8. Supporting indigenous communities: improving infrastructure in remote and regional indigenous communities, and closing the gap in essential infrastructure and services between these and non-indigenous communities.
9. Supporting rural communities: improving the quality of life and economic prosperity in rural and regional communities.

Source: Infrastructure Australia, *National Infrastructure Priorities*, May 2009

### Infrastructure priority list

Infrastructure Australia's December 2008 report outlined an urgent need for action to boost productivity, protect the environment and enhance quality of life in Australia. The report described a framework for action to meet the gaps, deficiencies and bottlenecks in Australia's infrastructure, based on the seven themes summarised in Figure 6.2.

### Figure 6.2 The seven themes for addressing infrastructure challenges in Australia

1. A national broadband network: developing a more extensive, globally competitive broadband system.
2. Creation of a true national energy market: more extensive national energy grids to enable greater flexibility and competition in the nation's electricity and gas systems, whilst creating opportunities for the development of renewable energy sources.
3. Competitive international gateways: developing more effective ports and associated land transport systems to more efficiently cope with imports and exports.
4. A national rail freight network: development of our rail networks so that more freight can be moved by rail.
5. Adaptable and secure water supplies: more adaptable and resilient water systems to cope with climate change.
6. Transforming our cities: increasing public transport capacity in our cities and making better use of existing transport infrastructure.
7. Providing essential Indigenous services: improved services for Indigenous communities.

Source: Infrastructure Australia, *National Infrastructure Priorities*, May 2009

Infrastructure Australia identified a list of priorities for action under each theme. In undertaking this significant task, Infrastructure Australia used a rigorous, objective and independent process to ensure that the best initiatives were identified. Clear assessment plans were developed and the prioritisation method was published and made available through Infrastructure Australia's website. Infrastructure Australia's detailed assessments were supported by external, independent experts.

For more than six months, Infrastructure Australia engaged in consultations with state and territory agencies and project proponents, to better understand, and in many cases to collaboratively improve, the evidence supporting proposed projects.

In its December 2008 report, Infrastructure Australia identified 94 projects for further consideration. Infrastructure Australia and the project proponents worked hard to ensure that the evidence base supporting the projects was robust and comprehensive. Infrastructure Australia then applied its assessment framework to evaluate the projects.

Infrastructure Australia identified nine projects as ready to proceed, and recommended that they be considered for funding. The assessment process also identified a further 28 projects which fit one or more of the seven themes, are of national significance, and have potential to make a clear and positive contribution to Australia's policy goals, but could not be assessed as ready to proceed. Infrastructure Australia recommended that these proposals remain in the project 'pipeline' and undergo more project development and analysis for future assessment. Infrastructure Australia advised that the Ipswich Motorway proposal would satisfy the Building Australia Fund evaluation criteria.

The results of the assessment process were published as *National Infrastructure Priorities* in May 2009. The report is available from Infrastructure Australia's website.

In the 2009–10 Budget, the government provided funding for seven initial priority projects recommended by Infrastructure Australia. These projects are:

Project	Investment
Regional Rail Express (Vic)	\$3,225m
East West Rail Tunnel- preconstruction work (Vic)	\$40m
Gold Coast light rail (Qld)	\$365m
Gawler rail line modernisation (SA)	\$294m
Noarlunga to Seaford rail extension (SA)	\$291m
Hunter Expressway (NSW)	\$1,451m
Pacific Highway–Kempsey Bypass (NSW)	\$618m

The government also announced funding for the Ipswich Motorway, and provided funding for a number of pipeline projects, including the Darwin Port Expansion and Oakajee Port, with provision for possible equity contributions pending recommendation by Infrastructure Australia that the project meets the Building Australia Fund evaluation criteria, negotiations with the project proponents and the establishment of an appropriate equity vehicle.

### Public–private partnership guidelines

In March 2008, the Australian Government gave Infrastructure Australia the task of developing nationally consistent guidelines for public–private partnerships. A public–private partnership is a long-term contract between the public and private sectors, under which governments pay the private sector to deliver infrastructure-related services.

Infrastructure Australia designed a framework, comprising policy and guidelines to:

- encourage private sector investment in public infrastructure and related services where value for money for government can be clearly demonstrated;
- encourage innovation in the provision of infrastructure and related service delivery;
- ensure rigorous governance over the selection of projects for public–private partnerships and the competition for and awarding of contracts;

- provide a framework and streamlined procedures for applying public–private partnerships across Australia; and
- clearly articulate accountability for outcomes.

The framework requires jurisdictions to apply the National Public Private Partnership Policy and Guidelines to the procurement of public–private partnership projects.

Following extensive consultation with state and territory governments and industry stakeholders, COAG endorsed the National Public Private Partnership Policy and Guidelines on 29 November 2008. The National Public Private Partnership Policy and Guidelines replace previously existing policy and guidelines in all states and territories. The policy does not apply to the local government sector; however, local governments may consider the benefits of applying this national policy when developing any public–private project.

The National Public Private Partnership Policy and Guidelines consist of a suite of documents which can be accessed online through Infrastructure Australia’s website.

## II Other activities

The Infrastructure Australia council also advises on the development of regulative frameworks and the more efficient operation and delivery of infrastructure, to promote productivity improvements, particularly in relation to communications, energy, water and transport.

### Communications

As part of its national infrastructure audit, Infrastructure Australia identified a number of policy issues in the communications sector, such as the need for a national broadband network, the discrepancies between metropolitan and regional pricing and service standards, and the future regulatory environment.

Given the importance of telecommunications in an increasingly knowledge-based economy, Infrastructure Australia noted that a world-class telecommunications network, including a national broadband network, is essential to Australia’s future prosperity and productivity.

The Australian Government’s announcement of its intention to implement a national broadband network has increased the imperative to review the sector’s regulatory settings with particular regard to the competition framework.

### Energy

In its infrastructure audit, Infrastructure Australia observed that the existing national electricity transmission grid has developed from individual, state-based transmission grids supplying energy from predominately coal-fired power stations located near coal mines.

While it is true that the National Electricity Market now operates across an interconnected grid, the capacity of interconnecting transmission lines limits the physical flow of electricity between regions and contributes to price separation within the National Electricity Market. Infrastructure Australia is keen to explore how higher levels of interconnection might be achieved to assist in improving the reliability and economic efficiency of supply.

The proposed changes to the Renewable Energy Target will require significant expansions in renewable energy generation. As a result, there will need to be significant new investment in the electricity transmission grid if the most promising sources of renewable energy are to be commercialised and connected to major areas of demand. In addition, this situation is likely to result in a higher demand for gas, both as a fuel source in its own right and as a generation source to complement the intermittent nature of many renewable sources. This is likely to mean that augmentation of gas transmission networks will also be needed.

Infrastructure Australia supports the creation of economically efficient transmission systems to support the mineral-rich zones, especially in north-west Queensland and the Pilbara. Connecting those regions to transmission networks is likely to increase productive capacity and productivity and facilitate the development of new mines, the extension of existing mine life and an increase in local processing.

Infrastructure Australia will work closely with the Department of Resources and Energy in identifying how new investment in energy transmission grids can be encouraged so as to meet the challenges of the future.

### **Water**

In its infrastructure audit, Infrastructure Australia observed that water quality in regional towns might not be meeting world health standards and that water security is still a major challenge. It also noted that while water security in urban areas is largely being addressed through diversification of supply sources, there was inconsistent application of best practice pricing and regulation. Such practices can provide effective incentives for efficient use and for new investment.

In 2009–10, Infrastructure Australia will identify the priorities for addressing water quality and security in regional towns. It will also identify where action is required, particularly in pricing and regulation, to ensure water security in urban areas.

### **Ports**

A substantial number of submissions to Infrastructure Australia's national infrastructure audit process concerned infrastructure used by port-related logistics chains. Similarly, work undertaken in 2008–09 by the National Transport Commission on freight logistics highlighted the significance of the capacity and effective use of ports. In this research, the potential benefits of a consistent national approach became evident.

During 2008–09, the Office of the Infrastructure Coordinator worked with the National Transport Commission and industry stakeholders to identify issues that a national ports policy might address. The intention is to devise a nationally coordinated approach to the future development and planning of Australia's port and freight infrastructure, which takes into account regulatory and governance frameworks; land planning and corridor preservation; and future infrastructure requirements including road and rail links.

In the 2009–10 Budget, the Government announced that it would provide equity investments to support the development of the Darwin and Oakajee ports, subject to the outcomes of a number of feasibility studies and advice from Infrastructure Australia. A focus of Infrastructure Australia's work in 2009–10 will be providing considered advice to the government on this matter.

### **National freight network**

One of the themes identified in Infrastructure Australia's reports to the Government in 2008–09 was the need to develop a national freight network. The critical importance of this is underlined by projections of much faster growth in freight than in other facets of the economy.

In 2008–09 the Office of Infrastructure Coordinator began identifying national freight issues, including issues in general rail freight. The office intends to complete an overview of existing freight plans and national issues in 2009–10. In particular it aims to identify any gaps which governments need to address in order to deliver an effective national freight network.

### **Roads**

Many submissions to the national infrastructure audit identified concerns about roads, including congestion in urban areas and road conditions in regional and rural areas. The Office of Infrastructure Coordinator's initial work on ports also showed that metropolitan road transport related costs, in terms of absolute levels and increases over the last decade, are a very significant issue for national productivity.

In 2008–09, the Office of the Infrastructure Coordinator began to examine the positioning of roads within a national freight network. This included aspects of the origin of the former national highway network and current arrangements for the control of local roads.

The office also considered the reforms arising out of the National Transport Commission's work program and national transport strategy. These include road reforms agreed by the Australian Transport Council and by COAG, such as the move towards a single national heavy vehicle regulator.

### **Urban Rail**

Urban rail forms some of Australia's largest and most important transport systems, and is critical to the functioning of Australia's major cities. Rail has potential to significantly add to national productivity.

Among the suggestions for urban rail projects submitted to Infrastructure Australia's audit were major expansions of urban rail systems in Melbourne, Sydney and Adelaide. A study for a project proposal was suggested for Brisbane, while for Perth a proposal was put forward for a land bridge over the rail line in the centre of the city.

In the 2009–10 Budget, the government provided funding for expansions of the Melbourne and Adelaide rail systems; and funding for feasibility studies to be undertaken for the Sydney and Brisbane projects.

### **Superannuation**

In some countries, infrastructure development is financed by superannuation funds, which invest in infrastructure with an expectation of an appropriate financial return. Some such investment occurs in Australia, through direct investment in projects by the funds or by investments in stock exchange-listed infrastructure trusts.

In 2008–09, the Office of the Infrastructure Coordinator began research into the potential for the voluntary use of superannuation finances to develop Australian infrastructure. A baseline for this research is that any contribution from superannuation finances would be made at the discretion of the fund. Given the fiduciary responsibility of fund managers, an implication is that investment would be limited to infrastructure which could generate 'commercial returns' for investors.

In 2009–10, the office will be considering which infrastructure and projects could be appropriate for seeking to attract superannuation finances.

### **Review of major infrastructure approval processes**

In late 2008, the COAG Infrastructure Working Group identified a need to review the efficiency and efficacy of processes for the environmental assessment and approval of major infrastructure projects. In initiating the review, the working group was mindful of the efforts of Australian governments to expand their infrastructure programs, both to meet long-term national needs, and to provide a stimulus in the difficult economic environment currently facing the nation.

The Office of the Infrastructure Coordinator was given responsibility to undertake this review, working with officials from various jurisdictions. The review focused on major, nationally significant infrastructure in the areas of transport, energy, water, and telecommunications.

A range of evidence, including literature from Australia and overseas, case studies, and stakeholder interviews informed the review. The office presented the recommendations from the review to the Infrastructure Working Group in June 2009.

### **Moorebank intermodal terminal project**

In December 2008, the Minister for Infrastructure, Transport, Regional Development, and Local Government gave a direction to the Infrastructure Coordinator under section 28(2) of the *Infrastructure Australia Act 2008*, to facilitate development of an intermodal terminal at Moorebank in Sydney's south-western suburbs.

The Office of the Infrastructure Coordinator pursued various investigations and negotiations to achieve this. In particular, the Office consulted the Department of Defence and other Australian government agencies about the

timing, scope and cost of relocating various Defence facilities from Moorebank. Discussions were also held with the Australian Rail Track Corporation about a potential rail connection between an intermodal terminal and the Southern Sydney Freight Line. Some initial technical work to consider potential economic issues associated with development of the terminal, and potential options for the configuration of an intermodal terminal, were undertaken.

In line with the 2009–10 Budget announcement of the intention to develop an intermodal terminal at Moorebank, further work on the project will be undertaken in 2009–10.