

Infrastructure Australia

PATREC Connection Lunch
28 November 2008

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 - Some observations



Infrastructure Australia Council

Sir Rod Eddington
Hon Mark Birrell
Mr Jim Hallion
Mr Phil Hennessy
Dr Ken Henry (Jim Murphy)
Dr Kerry Schott

Mr Anthony Kannis
Mr Terry Moran (Mike Mrdak)
Prof Peter Newman
Ms Heather Ridout
Mr Ross Rolfe
Mr Garry Weaven

The role of the Infrastructure Coordinator:

- The primary function of the Infrastructure Coordinator is to assist Infrastructure Australia in the performance of Infrastructure Australia's functions
- The Infrastructure Coordinator also has any functions that the Minister, by writing, directs the Infrastructure Coordinator to perform
- Based in Sydney



Timeline

- Federal election – November 2007
- Infrastructure Australia legislation – March 2008
- Appointment of Infrastructure Coordinator – July 2008
- Submissions closed – October 2008
- Advice to Government – December 2008

Context

National Strategic Priorities

- Expand Australia's productive capacity
- Increase Australia's productivity
- Diversify Australia's economic capabilities
- Build on Australia's global competitive advantages
- Develop our cities and regions
- Reduce greenhouse emissions
- Improve social equity, and quality of life, in our cities and our regions



The Audit

7 step Audit Framework:

- Goal definition
- Problem Identification
- Problem Assessment
- Problem Analysis
- Option Generation
- Solution Assessment
- Solution Prioritisation

The Priority List

- Submissions from Government, industry, community
- To be assessed by:
 - links to the Strategic Challenge
 - Quality data and evidence
 - Benefit/cost ratios (including wider economic benefit)
- Infrastructure Australia will provide its own assessment of national priorities



The Prioritisation Process looks for alignment of ...

- Strategic Fit
 - extent to which a proposal contributes to each of the 7 strategic priorities
- Net Benefit
 - based primarily on analysis of quantified (monetised) benefits and costs
- Risk
 - incorporating 'achievability', 'deliverability', affordability, staging lenses
 - beyond sensitivity analysis



Prioritisation

Assessed against 4 major categories:

1. Robustness of demand forecast

- Has demand been modelled in a robust & 'bottom-up' manner
- Are the underpinning residential, employment and economic growth figures robust
- Achievability of the demand forecast
- Sensitivity of BCR to demand
- Is the base case realistic and fundable
- Does hourly patronage profile match conventional AM & PM peak flows

2. Robustness of cost base

- Robustness of capex forecast
- Robustness of opex forecast
- Consequential costs
- Revenue treatment
- Construction cost inflation

Prioritisation

3. Key methodological questions

- Inflation rate
- Time period used
- Residual value
- Start and end timing and phasing
- Benefits allocation
- Sensitivity analysis (construction costs, construction duration, operating costs, discount rate at 10%)
- Other methodological issues

4. Values benchmarking

- Value of time savings, business, non business, freight, and vehicle operating costs
- Value of carbon emissions
- Death/injury/crash costs, physical fitness and health impacts
- Noise, particle emissions and other environmental pollutants (NOX, NMVOCs, SOX, CH4, N2O) Noise impacts



Public Submissions

- Over 560 submissions from state, territory and local governments, industry and the general community
- Generally submissions dealt with a number of issues, eg transport and energy or water and energy
- 67% submissions related to transport.
- 18% submissions related to energy
- 15% submissions related to policy or regulatory change
- 14% submissions related to water
- 9% submissions related to telecommunications
- 8% submissions raised issues regarding PPPs
- 25% submissions raised other issues

Projects Proposed

- Public Transport
- Roads - \$43 billion to upgrade 2 star to 4 star
- Energy/Transmission grids
- Water grid extension
- Some telecommunications
- Footpaths in Portland (Vic)
- Kerb and guttering in Toukley (NSW)
- Ports/Airports
- Rail radio communication
- A range of “green” solutions
- Ballina to Tweed Heads to be shifted into QLD control
- 3 “Nigerian” scams

PPP's

Feedback:

- Need for observable government procurement processes
- National consistency
- Bid Costs
- Bid time
- Real risk transfer
- Governance structures/expertise
- Partnership rather than cosmetics
- Public Evaluation audits



Alice: would you tell me which way I ought to go from here?

Cheshire Cat: that depends on where you want to get to.

Alice: I don't much care where.

Cat: then it doesn't matter which way you go.

A model of cooperation

Playing for Australia...

Build on partnership
approach

