Australian Government

Infrastructure Australia

The Fast-tracking National Infrastructure Summit

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New Zealand, 28 April 2009

Government Policy Context

- Energy, transport, water and communications essential inputs to economic activities and community wellbeing
- Supply capacity - constraints are emerging
- Responsive infrastructure sector is vital:
  - Capacity constraints
  - Inflation
  - Climate change
  - Ageing population

Policy Response

- Australian Government has committed to develop productive capacity and modernise key infrastructure

- The Government has established Infrastructure Australia to develop strategic approach to planning and infrastructure…….

and

- Established Building Australia Fund to help finance critical economic infrastructure

Role

- Infrastructure Australia has the primary function of providing advice:
  - Current and future needs and priorities for nationally significant infrastructure
  - Policy pricing and regulatory issues
  - Impediments to efficient utilisation
  - Reform options
  - Needs of infrastructure users
  - Investment financing mechanisms

Infrastructure Australia 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

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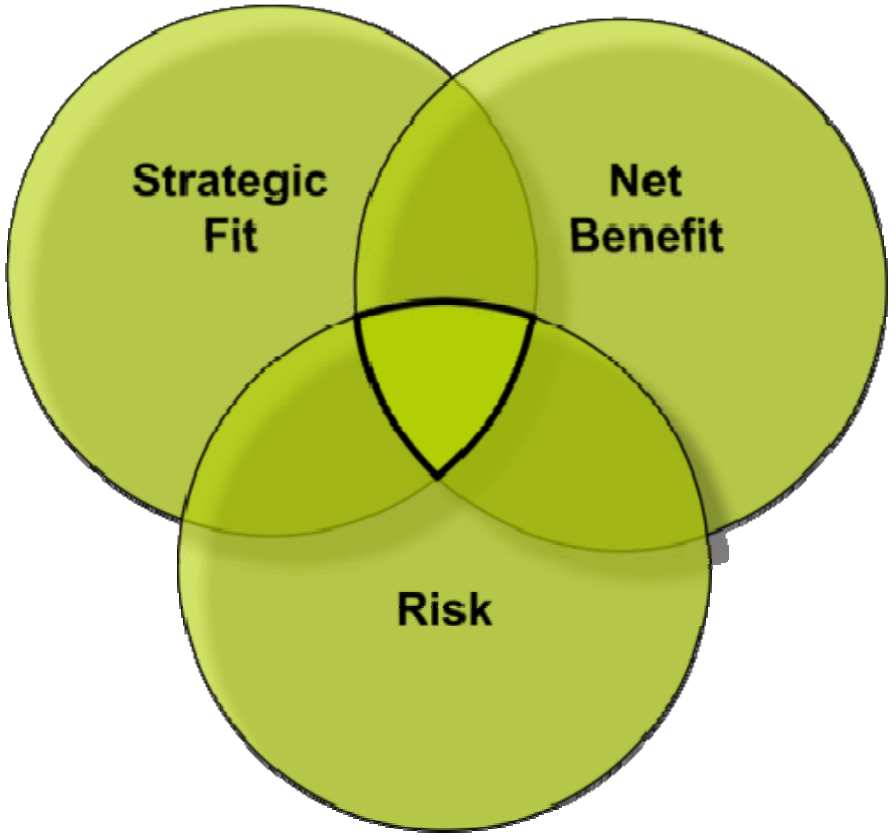
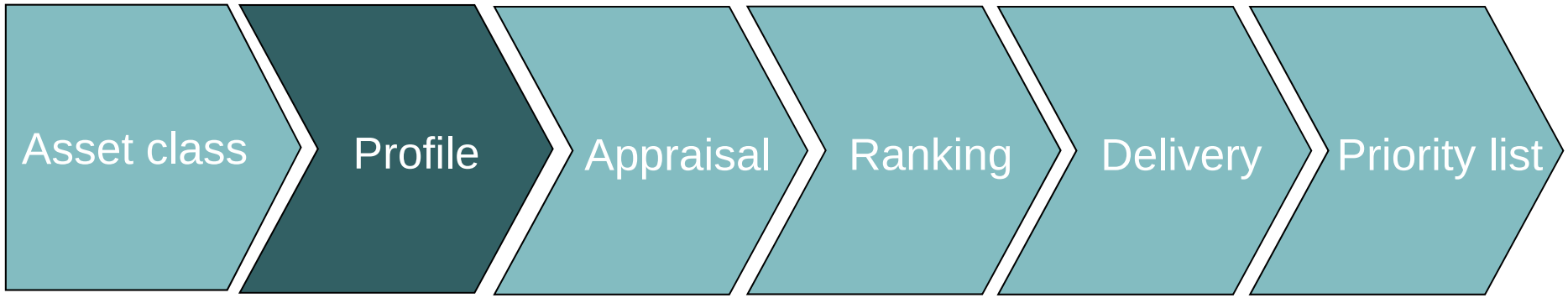
Stage	Description	Components required	Rationale
1. Goal definition	Definition of the fundamental economic, environmental and social goals that society seeks to achieve, for example: sustained economic growth and increased productivity, lower carbon emissions and lower local pollution, greater social amenity and improved quality of life.	• Formalised, comprehensive, and agreed goals/targets. • Quantified, objective and specific goals/targets.	A performance benchmark is needed against which the adequacy of infrastructure can be assessed.
2. Problem identification[1]	Objective, specific, evidence-based, and data rich identification of deficiencies with the condition, operation and services provided by infrastructure that may hinder the achievement of those economic, environmental and social goals.	• A list of specific problems clearly identified, including network or geographical location. • Those problems accurately quantified and defined, including an assessment of future trends.	Specificity re inadequacies is essential in order to take targeted and therefore more effective action.
3. Problem assessment	Objective and quantified appraisal of the economic, environmental and social costs of those deficiencies, so that the most damaging deficiencies can be identified and prioritised.	• Accurate and objective assessment of the econ/envt/soc impacts of those problems. • Priorities identified which reflect the scale of impacts.	Understanding the costs/impact of deficiencies allows the worst problems to be identified and prioritised.
4. Problem analysis	Objective policy and economic analysis of why these deficiencies exist – i.e. what is the underlying cause (depending on the sector, reasons could include market failure, government failure, capital restrictions, etc.). This should include an assessment of non-infrastructure reasons for the problem – e.g. land use patterns, peaky demand; or education/business hours.	• For each deficiency, analysis of why those problems have developed • Covers both immediate and underlying causes (e.g. not just 'lack of investment', but *causes* of underinvestment, e.g. regulatory environment).	Understanding the causes allows effective and targeted solutions to be created. Infrastructure not the only cause of problems.
5. Option generation	Development of a full range of interventions that might address the issue - e.g. pricing, regulatory, better use, packages/systems, capacity increases, informed by the Problem Analysis completed at Stage 4.	• A full range of option types have been identified for each deficiency/problem. • Those options have been objectively assessed, without some options having been ruled out early or favoured.	Looking at a range of options rather than relying on early judgements is more likely to identify the best solutions.
6. Solution assessment	Use of cost-benefit analysis to assess those options/solutions. The appraisal should incorporate the full range of economic, environmental and social impacts (including agglomeration and trade impacts, carbon impacts, noise, and social amenity) so that the impact on all society's goals is measured and understood as far as is possible.	• Accurate and justifiable Cost-Benefit Analysis has been used to appraise options. • CBA is comprehensive and includes wider economic, environmental and social impacts.	An understanding of the impact of solutions on all goals is essential to understand how the portfolio will achieve those goals.
7. Solution prioritisation[2]	Identification of policy and project priorities from the list of solutions, on an objective basis. The objective basis should give primacy to the Benefit-Cost Ratio (BCR) of policies, but could include broader considerations set out in a transparent framework - such as portfolio/package issues, deliverability, risk, and affordability.	• Priority List clearly identified. • Priorities reflect primacy of BCR analysis alongside objective framework • Relationship to State-funded policies/projects clear – i.e. prioritisation reflects all ideas, not just the unfunded.	BCRs provide the best available objective evidence as to how well solutions will impact on goals – but not the whole story.

The Priority List



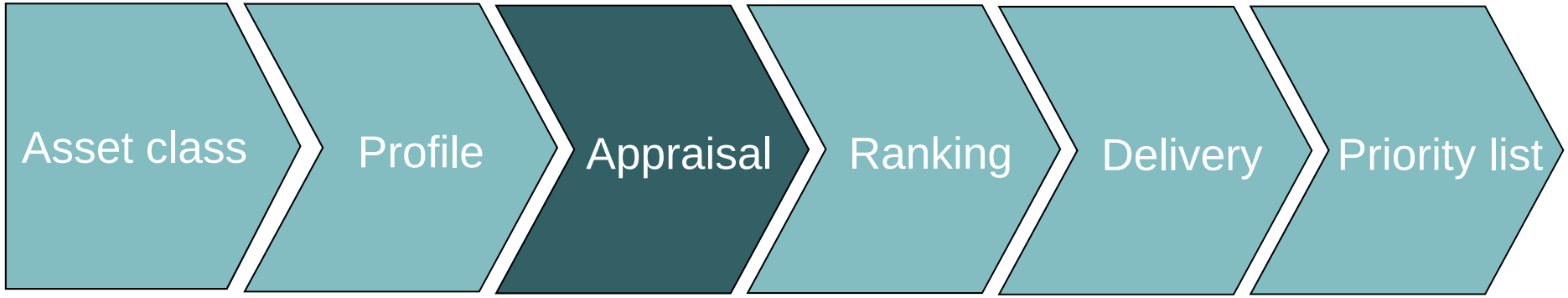
The filtering and prioritisation process

Rule based + objective + auditable



- Assessed against 7 strategic priorities
- Position regulatory and demand management measures also assessed

Appraisal



- Projects assessed through Economic Cost-Benefit Analysis
- Focus on BCRs
- Categorised according to moderated BCR:
  - Exceptional → Strong → Satisfactory → Poor

Step 1 – Profiling

- Ratings were used to assess projects against each Infrastructure Australia priority

Step 2 – Appraisal

- Benefit/Cost Ratio – the accepted approach

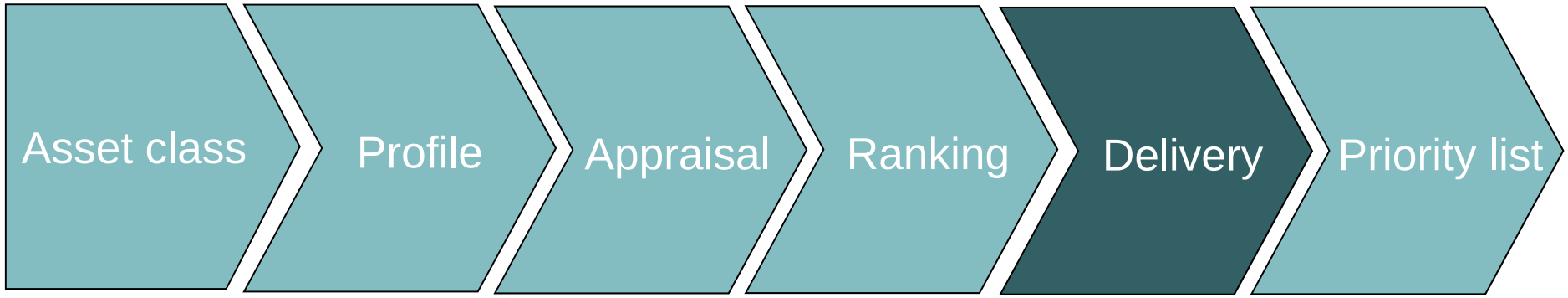
Benefit / Cost
Financial costs and benefits
Capital costs
Operating costs
Revenues / fees / fares charges, traded outputs
Economic cost or benefits to the ***user of the service***
Higher/lower prices for good/service
Time savings
Deaths / injuries
Economic cost or benefits to ***non-users*:**
Noise impacts
Environmental and social cost and benefits – *whole of society*
Local air pollution
Carbon emissions
Physical fitness

Step 2 – Appraisal

- Quality is key
- Robust BCR
  - Framework is conventional
  - Data and modelling assumptions are accurate
  - Result is maintained under a range of scenarios

- Wider Economic Benefits (WEBs) – a variety of approaches
  - Modelled using local population data etc.
  - Other cases a set percentage of benefits assumed (most appraisals used this approach)

Step 3 – Delivery



- Ability to deliver projects on the ground
- Funding, project approvals etc
- Risk assessments

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.**