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## **Infrastructure Australia Submission**

### **Paper 1: Australia's Future Infrastructure Requirements**

#### **Introduction**

##### *The Infrastructure Association of Queensland*

The Infrastructure Association of QLD (IAQ) Inc was formed in 1994 by a number of interested parties to allow private sector participants involved in the development, ownership or operation of infrastructure projects the opportunity to meet their counterparts and discuss and act upon infrastructure issues which affect the industry as a whole.

Since its establishment, the IAQ has developed a reputation as the pivotal private sector infrastructure body in Queensland. The IAQ consults widely with the Queensland Government and the various local governments throughout Queensland on critical infrastructure policy issues. The IAQ, in consultation with government, organises major conferences and workshops on a regular basis to address industry and project specific issues

##### *Formulation of this Response*

We have developed our response to this call for submissions principally around ideas and discussion from members of the IAQ, discussion with other peak bodies and relevant government bodies such as Coordinator Generals Department, The South East Council of Mayors, etc.

This response has not been developed on the basis of a wish list of projects, rather it is focussed more on the types of infrastructure that Infrastructure Australia should be interested in as part of the new approach to infrastructure investment by the Commonwealth. Following on from that approach, some demonstration projects have been listed in each of these key areas.

The IAQ as an organisation is highly supportive of Infrastructure Australia and this process as a new approach to Infrastructure Investment and delivery for the future of Australia's national infrastructure. We hope that the process is robust and outside of political interference and interest to ensure that infrastructure investments are made on the basis of national interests not local ones.

#### **Issue 1: What are the features and goals of Australian Infrastructure?**

Infrastructure is vitally important to Australian society's quality of life, economic growth and general prosperity. Australia's infrastructure can be broken into various classes:

- Roads
- Rail
- Ports
- Airports
- Water
- Power and Energy
- Communications

Whilst these classes are by no means exhaustive they are the classes of infrastructure that are relevant to the national debate about infrastructure investment. Without these types of infrastructure our economy cannot function, people and businesses do not have water, electricity, phone, internet, the ability to move produce or goods and the ability to move people without walking. Infrastructure is essential to everything that occurs in our society. It is at the fulcrum of our national economy and without an efficient and effective infrastructure network (and investment in it) our standard of living will drop as productive capacity will reduce and unemployment will rise and the GDP will significantly be reduced.

Australia's national infrastructure should be focussed on that which assists with national economic growth, moving important goods and freight efficiently and effectively, enabling mass volumes of people to reach places of business more efficiently and timely and enabling more efficient forms of business activity (be it through logistics, information and communications, etc).

The guidelines that have been released for the audit are certainly congruous with the above and IAQ certainly supports these however it is important to have a robust and accountable approach to how each project is evaluated against these criteria. We have taken the approach to not evaluate individual projects against these criteria, rather the infrastructure classes indicated above.

The infrastructure evaluation criteria:

- lift national productivity
- strengthen Australia's international competitiveness
- develop our cities and regions
- reduce greenhouse gas emissions
- And improve the quality of life of Australians.

## **Issue 2: What are the problems?**

Australia's Infrastructure problems are focussed around:

- Capacity Issues:
  - access to Ports enabling faster and more efficient movement of goods on road and rail,
  - mass movement of people into and out of the capital cities,
  - movement between major intermodal facilities and into and out of major industrial zones
  - a national energy network
  - lack of adequate speed and capacity of the communications network across the country
  - lack of a consistent gauge of rail across the country
  - Port capacity at the bulk commodity ports
  - Lack of redundancy within water supply networks and lack of sharing of such resources across boundaries
  - Efficiency of movement of freight between major growth centres by road and rail through lack of capacity in sections, poor alignments and quality of facilities
- Maintenance of the Existing Infrastructure
  - Neglected nature of infrastructure in regional areas that produce substantial goods
  - Old stock of the urban water distribution network
  - Relatively poor standard of quality of the road network
  - Relatively poor standard of the quality of the rail networks

It should be noted that not all of these issues raised above are the responsibility of the Federal Government. Some fall under the jurisdiction of the state and local governments and the private sector as well. However resolution of these problems is a joint responsibility.

## **Issue 3: What are the impacts of these problems**

In 2004 Engineers Australia released the Queensland Infrastructure Report Card which clearly highlighted the implications of urban congestion in South East Queensland with the lack of defined long term plan for the urban transport network in this region. It was stated that the cost of congestion in Brisbane was estimated to be \$2.6 billion per year. If Brisbane's transport needs are not addressed then this could reach as high as \$9.3 billion by 2015 – higher than both Sydney and Melbourne.

Whilst significant strides have been made toward addressing this as a major issue if the investment is left to lag then these issues will only be magnified further with the current state of the economy in SEQ as well as the volume of additional people moving to SEQ every year. This will have a dramatic effect on the quality of life of all within SEQ and QLD as travel times increase, pollution increases thereby leading to health issues, goods/ freight costs more due to the increased cost of movement, etc and this will then affect the GSP and eventually all Queenslanders through lower prosperity.

#### **Issue 4: How did these problems come about?**

The current problems with Infrastructure throughout Australia have been a direct result of lower levels of investment by all levels of Government and a lack of desire to facilitate greater private sector investment in the infrastructure. As has been widely stated the current poor state of our national infrastructure and the massive investment required to bring it up to what would be regarded as world standards is due to the fact that the great majority of the capacity that was invested in infrastructure in the late 50's, 60's and 70's has largely been consumed through the late 80's, 90's and beyond as the economic rationalism mandates in various governments and treasury's took hold.

In short we as a society consumed the productive capacity those previous generations had developed but did not renew this capacity in the same manner that we withdrew it over that period leading to the infrastructure situation we have at the present time.

#### **Issue 5: How might these problems be addressed**

In addressing these infrastructure problems Infrastructure Australia has a challenging role in developing the infrastructure priority list. However some consistent and transparent approaches to the investment in various projects based on infrastructure class is a fundamental step in the right direction.

Based on a classification of infrastructure across the criteria that has been suggested for Infrastructure Australia to assess infrastructure under we have developed a checklist, attached, that sets out where we as an organisation see that the investment needs to be focussed across infrastructure classes.

We have also taken the approach to identify, according to infrastructure class whether it can be delivered or managed by the private sector and with that in mind what level of government investment is necessary to support the infrastructure delivery. What this has highlighted is that the private sector can play a much greater role in Infrastructure funding, delivery and maintenance than it has in the past, however not all projects and infrastructure classes will be completely viable for 100% private sector investment and public sector investment is often required in varying degrees to help facilitate this investment.

This public sector investment can be in many and varied forms (subsidies, up front payments, investments, etc) and is of course project specific. For instance the two major road related PPP's in QLD recently have used government investment to leverage private sector investment enabling a much better outcome to be achieved. For instance on the Airport Link transaction some \$1.5B of public sector investment has leveraged over \$3B in private sector investment and overall \$4.7B of new infrastructure.

Coupled with this approach is the importance of a balanced approach to delivery of the infrastructure. No one delivery methodology works for every project or even within one infrastructure class/ category. Infrastructure delivery methodologies/ approaches should be considered taking into account issues such as risk, timing, and availability of funds, industry capability and organisational capacity of the delivery organisation. For instance large scale design and construct delivery mechanisms require significant resources and costs from the bidding organisations tied up for extensive periods of time thereby reducing the ability of industry to deliver other works at the same time.

In the same way that alliances, whilst a very successful and innovative driven delivery approach, have been widely applied for large and medium scale urban infrastructure projects in QLD (ie the Inner Northern Busway, Hale Street Link, Ipswich Motorway Upgrade) where the risks are high and consequences unknown; are not often applied on other projects in other classes such as a power station project (unless new technology and equipment were being used). This is because the risk profile does not match that for an alliance.

Robust and transparent approaches to delivery mechanisms are therefore necessary across the various Governments and organisations in Australia, thereby enabling industry to understand how certain delivery mechanisms have been chosen and to plan for the appropriate resources to be invested for such programs.

One of the hallmarks of the recent QLD approach to infrastructure has been the re-establishment of the Co-Ordinator Generals Office as the primary driver of infrastructure coordination, planning and delivery across the state. The recent establishment of the highly successful Program Management Office (PMO) for the South East Queensland Infrastructure Plan and Program (SEQIPP) has been widely hailed by industry and other states as a model to adopt. The PMO and the government have ensured that there is a regular pipeline of work coming out to industry and publication of this has assisted industry and better resource planning and development of productive capacity that can spread rather than building capacity to deal with projects and then downsizing when they are finished.

This pipeline of work can only be achieved through a very good planning process and ability to bring projects to the market through the conception, feasibility, design and delivery processes. Without the strong integrated planning being coordinated often between disparate and different departments and statutory bodies infrastructure would be delivered in a very haphazard and dysfunctional manner. The QLD approach is once again a good example with this especially with the SEQIPP model.

QLD is certainly the growth state across Australia with the more diverse and robust economy. Our GSP growth per capita is very high but there are unique challenges that will constrain the continued economic growth of QLD if not addressed by all levels of government, working hand in hand with the private sector. These challenges include the following:

- Urban congestion
- Regional development
- Continued economic prosperity

To drive these issues a range of infrastructure investments are needed including the following:

- Urban congestion:
  - Busway network in SEQ
  - Urban rail network in SEQ
  - Ring road system to be completed in Brisbane (through private infrastructure delivery leveraged through strategic government investment)
  - TOD developments around key transit nodes
  - Motorway and arterial road improvements to Ports, Airports and major intermodal and industrial locations
- Regional development:
  - Power facilities
  - Water for production capacity
  - Rail and road links including intermodal facilities
- Continued economic prosperity
  - Major commodity ports
  - Major non bulk commodity ports
  - Rail line upgrade for bulk commodity movement to ports
  - World class communications systems and facilities
  - Water security for the long term industry demand

It is recognised that the commonwealth government (through Infrastructure Australia) should not have the sole responsibility of funding all of these works and the focus needs to be on where the maximum leverage can be obtained for the investment made. The checklist attached provides some ideas on where government investment will realise a greater investment from the private sector, realising two distinct outcomes for the government- the release of funds for other investment and greater overall investment than would otherwise be the case in a more secure manner as well.

## Issue 6: What should be done first?

From what we have presented in this paper the key issues that need the immediate focus in terms of infrastructure in Australia are the following:

- Conclude the infrastructure priority list and release this for consultation
- Provide guidelines through which the private sector can work collaboratively with Infrastructure Australia and all levels of government to facilitate more efficient funding and delivery of infrastructure
- Focus on projects and infrastructure classes where greater leverage of other investment (by states and/ or the private sector) will enable greater outcomes to be achieved and hence the value for money question is maximised. These areas include the following:
  - General freight ports
  - Urban motorways
  - Freight Port road links
  - Power stations
  - Major bulk freight rail
  - Port- rail connections
  - Broadband networks
- Development of transparent approach to delivery methodologies across jurisdictions
- Development of a pipeline of activity and investment to enable the private sector to work more collaboratively with government to deliver on the infrastructure priority list across a range of areas (planning, funding and delivery)
- Invest and prioritise infrastructure investment within the following areas that match with the key criteria on which the investment has been highlighted:
  - Regional freight rail
  - Port access rail
  - Regional highways
  - Urban motorways
  - Key road links to Ports
  - Major new airports (this could be only through land or approvals processes as user charges cover the necessary investments)
  - Energy grid
  - Broadband
  - Communication spines
- Other areas to be considered more on a case by case basis for projects include the following:
  - Power stations
  - Water supply
  - Urban arterial roads
  - Major bulk freight rail
  - Urban commuter rail
  - General freight ports
- When distilling the areas down where investment from Infrastructure Australia would leverage the most within the key areas, the following demonstration projects are revealed:
  - Regional freight rail:
    - Inland Rail link between Brisbane and Melbourne
    - Toowoomba range crossing
    - North Coast Line Upgrade
  - Port Access rail:
    - Townsville Port Rail
    - Brisbane Port Rail
  - Regional highways:
    - Toowoomba Range Crossing Upgrade
  - Urban motorways:
    - Gateway Motorway Upgrade (North and South), (These could also be delivered through a PPP, thus reducing the commonwealth investment)
    - TransApex scheme in Brisbane (These are currently being delivered as PPP's)

- Western Brisbane Transport Network (These could also be delivered through a PPP, thus reducing the commonwealth investment)
- Key road links to Ports:
  - Port of Brisbane Motorway Upgrade (This could also be delivered through a PPP, thus reducing the commonwealth investment)
- Broadband network roll out
- Urban commuter rail/ public transport:
  - Inner City Rail Tunnel system
  - Gold Coast rapid Transit
  - Eastern and Northern Busways
  - Sunshine Coast Public Transport system
- General freight ports (these are generally economic and costs are covered through user charges)

<b>Project Class</b>	<b>Productivity Improvement</b>	<b>National Competitiveness Improvement</b>	<b>Developing Cities and Regions</b>	<b>Reduction in greenhouse gases</b>	<b>Quality of Life Improvement</b>	<b>Can they be Privately Funded, Operated, Managed</b>	<b>Level of Government Investment</b>	<b>IA Involvement</b>
<b>Ports</b>								
Commodity Ports	✓	✓				yes	none	no
Community Ports						no	high	no
General Freight Ports	✓	✓		✓		yes	moderate	case by case
<b>Rail</b>								
Urban Commuter Rail			✓	✓	✓	yes	high	case by case
Regional General Freight Rail	✓	✓	✓	✓		no	high	yes
Major Bulk Freight Rail	✓	✓		✓		yes	low	case by case
Port Rail Access	✓	✓	✓	✓		yes	high	yes
<b>Roads</b>								
Local Urban Roads				✓	✓	no	high	no
Local Rural Roads			✓	✓	✓	no	high	case by case
Regional Highways	✓	✓	✓	✓	✓	yes	high	yes
Urban Arterial Roads			✓	✓	✓	yes	high	case by case
Urban Motorways	✓		✓	✓	✓	yes	moderate	yes
Key Freight Links (To Ports)	✓	✓	✓	✓	✓	yes	low	yes
<b>Airports</b>								
Local Airfields			✓		✓	no	high	no
Regional Airports			✓		✓	yes	moderate	no
Major Airports	✓	✓	✓	✓	✓	yes	low	yes
<b>Water</b>								
Water Supply (Dams, Desalination)	✓		✓		✓	yes	moderate	case by case
Major Water Pipelines			✓		✓	yes	moderate	no
Regional Distribution			✓		✓	yes	high	no
<b>Power and Energy</b>								
Power Stations	✓		✓		✓	yes	moderate	case by case
Local Distribution			✓		✓	no	high	no
Regional Links			✓		✓	yes	moderate	no
Grid Links	✓	✓	✓		✓	yes	low	yes
<b>Communications</b>								
Broadband	✓	✓	✓		✓	yes	moderate	yes
Local telecommunications			✓		✓	no	high	no
communication spine systems	✓	✓	✓		✓	yes	moderate	yes