

Check against delivery

CEDA – State of the Nation

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Just on three years ago, in my statutory role as Infrastructure Coordinator, I addressed a CEDA conference about infrastructure and this nation.

About the needs, the shortages and the way forward.

And, about the national importance of infrastructure.

I said then:

“Without infrastructure, we have no national future.

“It’s as simple as that.

“Energy, water, transport, telecommunications, without any, or all, this nation doesn’t operate.

“People’s lives can’t be lived.

“Business can’t operate.”

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I added:

“Without meeting current and future infrastructure needs, we won’t survive, we won’t prosper and we won’t grow.”

What applied then, three years ago, applies today.

But today, the problem is not understanding or analysing the problem, but actually solving the problem.

Infrastructure Australia has been involved in the problem solving. We’ve also developed policies, assessed projects and prioritised them.

From our initial recommendations to government, we are now actually seeing projects come to fruition.

We examine reform, innovation and how this nation can do things better.

We have an estimate of projects, analysed, assessed and prioritised by Infrastructure Australia, at between \$80 and \$90 billion.

This is the infrastructure that will ensure our nation’s future.

But it comes at a high cost.

Such a figure, of up to \$90 billion, for one area of asset delivery is beyond the resources of the public sector, State or national.

Infrastructure is just one of the competing areas for public sector finance.

Equally demanding, and equally justifiable, are health, social welfare, education, etc.

To deliver the infrastructure this nation needs for its future to be assured, and to do it in a fiscally responsible way, we need to do things better.

We need to approach infrastructure finance and delivery differently.

We, as a nation, need to be creative and we need to be innovative.

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We need to unlock new sources of infrastructure finance.

And, what's been done before needs to be challenged.

There is a whole new paradigm for infrastructure and the way we fund it.

There are opportunities, and new ways, we need to grasp.

But if we don't grasp the opportunities as they arise, and arising they are at a sometimes rapid rate, this nation's economic, social and place in the region will be diminished.

In the three years that have passed since I addressed this important organisation, much has been achieved and much has been delivered.

Some problems have been solved. But others remain.

To give Australia the foundations to meet future challenges and opportunities and to enhance productivity, we need to embrace further policy innovation.

Innovation and increased productivity are essential for Australia as our nation adjusts to an ever-changing world.

If we make that adjustment, the advantages, and the benefits that will result, will be experienced throughout the community and filter through to individual lifestyles.

Unlike many other countries, it should be easier to apply policy innovations here due primarily to our small population.

And we have a population that is not resistant to change.

But change, innovation and reform need to be clearly and openly explained to the wider population to ensure acceptance.

Once that is achieved, the benefits that accrue will be spread across the nation.

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The benefits of policy innovation are that it can add to increased productivity through the provision of economic infrastructure and through the major infrastructure focus on water, energy, telecommunications, and transport.

But there are some self-imposed challenges confronting policy innovation, particularly with transport infrastructure policy.

Scientific, financial and engineering innovations are important.

But, by a long way, the most important future innovations for infrastructure relate to policy settings.

That might sound dry.

It is.

By policy innovation I mean changes for the better in infrastructure governance, in planning, in regulation, in project execution, in investment arrangements and the like.

Innovation will allow for the better use of infrastructure, existing or new, that is needed to boost productivity.

Such innovation lets us confront an emerging and changing world with a better game plan.

A game plan to win.

Innovation depends on being able to think and talk clearly. Its benefits depend on converting talk into action.

It needs openness and transparency, testing of ideas, and a willingness to embrace the new.

This nation has a proven pedigree in policy innovation.

But there are inhibitors.

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Indeed, the OECD whilst acknowledging our past record of global leadership in reform has noted, in successive reports that we have eased off.

One of the problems awaiting solution is that we need to undertake major infrastructure reform to have the platform Australia needs for a more productive nation and one where opportunities are seized.

In Infrastructure Australia's reports to the COAG, and in our other public reports, we've focused heavily on transport networks, especially roads.

We've done this because this is the area where the deficiency is the greatest.

For example, we've proposed a national road portfolio manager and road investment regime.

There was work we did on complementary national ports and freight strategies, the greater reliance on user charging and development value capture.

There have been proposals on user says to accompany user pays and, vitally important, the recycling of government capital.

These are the fundamentals.

They're not rocket science.

But until COAG grasped the nettle, the States and the Commonwealth went on their separate ways.

To those fundamentals, is the need to reduce the many layers of government involvement in infrastructure, along with improving government project procurement processes and this nation becoming a world leader in project governance.

Again, not rocket science.

But there is a self-imposed barrier, a logjam, to these fundamentals becoming reality, especially in transport infrastructure.

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Within the public sector, unfortunately groups exist that put self interest before reform.

They have become inhibitors rather than facilitators.

They are stolid, hesitant and reluctant.

Would it surprise you to know that in 2013 we have no national idea of the condition of our existing roads?

Nationally, we don't identify road routes where improvements would lead to an increase in national income.

We don't measure whether money spent on roads actually improves service performance.

No one does these things.

They simply don't get done.

In 2011, we sought to have governments start to manage the roads actively as a national portfolio.

This was to treat and manage roads just like all other assets.

Current condition would be measured.

Funds for improvement would be allocated where industry and the community would gain the most.

And the pattern of spending would be tracked to ensure the conditions improved over time.

So, what has happened since with the nation's independent advisor on road infrastructure made those recommendations?

Nothing.

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What we saw was the relevant agencies continuing to do whatever they were doing.

What was done in the past was good enough for the present and the future.

You will be hard put in Canberra to find a single auditable road condition report for any region of Australia.

Roads are one thing, planning is another.

You would expect that somebody in government is in overall charge of the infrastructure.

You would expect that somebody knows all the key pieces of economic infrastructure, what is needed for the future and that all relevant land spaces are monitored, protected and planned.

You would expect common sense, and effective planning.

You'd be wrong.

And the failure to do so, damages our nation's prospects, particularly for ports and land freight.

Prior to Infrastructure Australia there was no national view as to ports and related planning.

Never mind that as an island, almost all of our trading economy relies on the efficiency of our ports, sea channels and road and rail connecting networks.

Ports were not even mentioned at the Transport Ministers' Council.
The bureaucracy, presumably, didn't see fit to bother them with such trivia.

We spoke to governments about ports and our proposed national ports strategy was accepted.

But some bureaucracies resisted.

Nearly two years were lost in delays.

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While the Council of Australian Governments ultimately agreed to a strategy on paper, there are no government endorsed published long-term port plans, or real measurement of performance of these trade gateways, as suggested.

While some work is underway, including good work in Victoria, there are risks.

These bureaucratic charades and displays of truculence have real consequences for jobs and national productivity.

The internal conflicts have implications for land transport infrastructure, urban form, economic growth, international reputation and ultimately all of the pillars of sustainable development.

For example, our economy will suffer by percentage points of GDP if we do not get Gladstone right.

Another example of bureaucracy getting in the way of productivity and innovation of truly national significance is the proposed national freight network, identified in Infrastructure Australia's first report to the Council of Australian Governments in 2008.

Further detailed work was done in the land freight strategy reports in 2011 and 2012.

The idea was, again, simple.

Plan a network of roads and rail lines linking the major ports and industrial centres that grows as the network attracts major freight flows because it is designed to take the most productive vehicles.

Give freight a chance to be planned and lower its cost to the users.

The Prime Minister, Premiers and Ministers received our proposal enthusiastically.

But the bureaucracy said no.

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The bureaucracy has devised its own vehicle for handing out money for roads and rail.

Strategies are written about where the bureaucrats think the money should go, some people play with it at the margins, bringing in a political overlay, and the money goes out.

In their wisdom, the bureaucrats' vehicle omits Port Kembla in New South Wales, the Tullamarine Freeway in Victoria, several major ports in Western Australia and, perhaps most conspicuously, the world's largest coal port in Newcastle.

These are glaring omissions and no so-called designated network could survive without them.

(Pause)

Some time ago Minister Albanese and his state and territory counterparts agreed on three major regulatory reforms.

Still not implemented. Despite huge personal and political commitment from the relevant Minister, Albanese in particular.

And who in the bureaucracy is truly accountable for the appalling condition of our indigenous peoples in remote Australia?

(Pause)

Our nation's future lies within our region.

And infrastructure investment will underpin our success.

By 2020, Asia's economic output will be larger than that of Europe and North America combined.

The population will increase six fold by 2030 and it will be the largest regional market in the world.

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By 2050, Asia will be the centre of global commerce, producing over half of global output.

And, our nation is perfectly poised to be a major player and supplier to the dramatically emerging market.

But to achieve that we need the innovation, the policy reform and the infrastructure to be able to service that market.

We must be ready.

Reform and innovation go hand in hand.

We need to establish the right infrastructure funding, use government budgets in a more innovative way, recycle capital, reduce layers of government and be better at procurement.

Big asks, but achievable.

This nation can use government balance sheets more innovatively to spread available funding.

The old way, where the Commonwealth created infrastructure by grants to the states, should cease.

Government must really connect with the private sector.

Government can provide seed funding, take on some project risk, provide a portion of lower ranked debt and broker public-private combined involvement.

We can innovate by recycling capital from mature assets to new infrastructure.

More than \$100 billion of commercially suitable infrastructure assets sit within the public sector investment portfolios.

These are solid, mature assets, which can work harder for the nation and be recycled into new infrastructure.

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In reality, an asset can be used to create a new asset.

Airports, roads, freight rail, ports, water services, electricity generation and transmission and others are the mature assets.

Capital recycling can be controversial but the end result is overwhelmingly better for the nation.

To get the infrastructure we need as a nation we will have to pay more as users – and deal with the equity issues.

By involving the infrastructure users in the projects, or user says, we get greater benefits as the users usually know what infrastructure is best and how it can increase productivity.

In addition, when superannuation funds invest in infrastructure it involves more Australians in the ownership of the newly created assets, and gain a return from those assets.

Next, we need to reduce the layers of government involvement and bureaucracy in infrastructure.

Not only is there the turf protection and bureaucratic ineptitude that I referred to earlier, our complex government structures, three tiers, both delay infrastructure rollout and increase costs.

Overlapping environmental assessments, approvals across jurisdictions and often the same studies and reports are needed to several bodies involved in approval.

Wouldn't a single assessment and approval process more efficiently deliver needed projects?

Common sense. Innovative policy. Not rocket science.

But we don't do it.

And, we should.

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We need the innovation in policy.

We need to break through bureaucratic inertia.

We need to streamline approval processes and remove duplication.

We need to embrace new funding means and avenues.

We have to look outside the stultifying governance box we presently live in.

We need better governance when it comes to governance in infrastructure and procurement.

That's not a contradiction. It's a fact.

We also need better transparency and greater public access to the reports and deliberations of government on these vital projects.

Gaining new ideas and delivery means.

There are many public officials who hate such a thought, and resist it vehemently.

(Pause)

Innovation is always challenging as it threatens the status quo.

The bigger and more entrenched the bureaucracy is then the challenge is bigger.

But we should not avoid the challenge.

To do so would be to the detriment of our nation and its future.

We live within a region where growth will drive our growth and our economy.

Let us have the infrastructure vital to that growth, and to nurture that growth.

Let us innovate and grow for the benefit of our nation and every member of our community.

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We owe it to them to do just that.

Thank you.