

# Annual Report

Infrastructure Australia  
Report to Parliament  
2015–16







**Infrastructure  
Australia**

# Annual Report 2015–16

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**Australian Government**  
**Infrastructure Australia**

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30 September 2016

The Hon Paul Fletcher MP  
Minister for Urban Infrastructure  
Parliament House  
CANBERRA ACT 2600

Dear Minister

I am pleased to present the Annual Report of Infrastructure Australia for the period ending 30 June 2016.

The report provides a detailed description of Infrastructure Australia's operations during the year as well as financial statements.

The report has been prepared in accordance with the requirements of the Public Governance, Performance and Accountability Act 2013; and the Infrastructure Australia Act 2008.

Yours sincerely,

Mark Birrell  
Chairman



# Chairman's Foreword

## Annual Report to Parliament

Infrastructure enhances the way we live and work. Delivered and operated well, it boosts Australia's productivity and improves our already enviable quality of life.

Our nation is at a critical juncture when it comes to shaping its infrastructure future. We need to ensure that our current assets and networks, as well as transformational new projects, are focussed on meeting Australia's two great growth challenges: soaring population across the nation, especially in our urban centres; and record demand for our exports from neighbouring south-east Asian and Chinese economies.

By 2031, Asia will represent around two-thirds of the world's middle class population. This will drive significant demand for Australian produce, resources and services, and enable our businesses to access some of the world's largest consumer markets.

In addition to this, our population will increase significantly over the next 15 years – far outstripping growth in countries like Britain, Canada and the USA. By 2031, more than 30 million people will call Australia home. Most of them will live in just four cities – Sydney, Melbourne, Brisbane and Perth – which will increase in population by 50 per cent in the next 15 years.

A booming Asia and a growing population create welcome opportunities for Australia. But without substantial investment and reform to the way we plan, fund, deliver and operate our infrastructure, we risk letting valuable possibilities pass us by.

Since the microeconomic reforms of the 1980s and 1990s, each new wave of reform has become

incrementally harder than the last – but we must keep pursuing policies that improve living standards and strengthen our global rankings.

Considered and carefully planned infrastructure investment is one of the most effective ways we have to drive economic growth. That's why robust, independent advice from bodies like Infrastructure Australia is more important than ever before.

By advising Australian governments and the community on the policies and projects needed to meet the challenges of the future, we can help guide the nation to take advantage of its opportunities.

Our work encourages governments to be more strategic about preparing for changes in infrastructure demand, and invest in the projects that deliver the best outcomes for the community.

We aim to ensure that Australia's infrastructure – and the planning behind it – is working in the national interest by serving users better.

In February 2016, we delivered the first 15-year *Australian Infrastructure Plan*. The Plan charts a clear pathway to address today's infrastructure gaps and meet the challenges of tomorrow. Its release sparked valuable debate about the future of Australia's infrastructure and our willingness to undertake the reforms and investments needed to improve it.

**We look forward to continuing to work with each level of government and the wider community to progress initiatives that deliver the best social, economic and environmental outcomes for all Australians.**

Alongside the Plan, we published a revised *Infrastructure Priority List* which sets out the projects that our Board believes represent the most productive use of infrastructure funding.

The List, when initially published in February, contained two projects with approved business cases and 91 project initiatives from across the country.

I'm pleased to advise that, since then, we have seen a record number of business cases submitted to Infrastructure Australia. Federal and State governments, together with industry, are embracing the need to better align project proposals with an identified infrastructure gap.

As at 30 June 2016, the Infrastructure Australia Board has assessed and added six projects to the List, and Infrastructure Australia was working with proponents on a further 12 business cases for initiatives already identified on the *Infrastructure Priority List*.

This shows that the *Infrastructure Priority List* has already become a platform for better infrastructure decision-making, with a strong pipeline of business cases continuing to be received and assessed into 2016-17.

For Infrastructure Australia, 2015-16 was therefore a year of strong delivery against our mandate. By providing decision makers with the robust evidence base from the *Australian Infrastructure Audit* and encouraging strategic consideration of infrastructure problems, we are helping to drive better outcomes for infrastructure users around the country.

While we have experienced an increased focus on long-term infrastructure needs and integrated decision-making over the past year, there is still much work to do.

There must be deeper investment in strategic plans and feasibility studies to ensure that our infrastructure future is built on good foundations. Full business cases and options assessments must always occur. Similarly, once infrastructure is built, post-completion reviews should be routinely conducted and published, with the operation of each project assessed against initial expectations.

Infrastructure Australia will continue to play its role in supporting long term planning and infrastructure reform. We remain focused on progressing our policy and research program to support the implementation of the Plan's key recommendations.

I wish to thank my fellow Board members for their contribution and guidance, and our CEO, Philip Davies and his executive team for their strong support.

We look forward to continuing to work with each level of government and the wider community to progress initiatives that deliver the best social, economic and environmental outcomes for all Australians.



Mark Birrell  
Chairman

# Overview

Infrastructure Australia was established in July 2008 to provide advice to the Australian Government under the *Infrastructure Australia Act 2008* (the Act).

In 2014, the Act was amended to give Infrastructure Australia new powers, and to create an independent board with the right to appoint its own Chief Executive Officer. The amended Act came into effect on 1 September 2014.

The current Infrastructure Australia Board was formed in September 2014. Led by Chairman Mark Birrell, the 12 members bring experience from business, academia, the public and private sectors.

Under the Act, Infrastructure Australia has responsibility to strategically audit Australia's nationally significant infrastructure, and develop 15 year rolling infrastructure plans that specify national and state level priorities.

## Statement of Expectations

On 1 November 2015, a new Statement of Expectations was issued by the then Minister for Territories, Local Government and Major Projects, the Hon Paul Fletcher MP. This Statement provides guidance on the Australian Government's expectations relating to the strategic direction, operation and performance of Infrastructure Australia from 1 November 2015 to 30 June 2017.

Prior to this, the then Deputy Prime Minister and Minister for Infrastructure and Regional Development, the Hon Warren Truss MP, issued a Statement of Expectations to Infrastructure Australia on 30 October 2014, and issued further correspondence on 5 January 2015, providing guidance on the Australian Government's expectations relating to the strategic direction, operation and performance of Infrastructure Australia.

The current Statement of Expectations is available on our website: [www.infrastructureaustralia.gov.au](http://www.infrastructureaustralia.gov.au)

## Statement of Intent

Infrastructure Australia responded to the current Statement of Expectations with its Statement of Intent.

The Statement of Intent, in conjunction with the portfolio budget statement, responds to the Government's expectations by identifying the key objectives and related initiatives to be delivered by Infrastructure Australia from 2015 to 2017.



The Statement of Intent outlines:

- The specific priorities Infrastructure Australia will be accountable for delivering.
- How Infrastructure Australia will establish itself as a trusted collaborator and advisor to governments and industry, on the planning, funding and financing, delivery and maintenance of infrastructure.
- The governance and performance arrangements that will enable Infrastructure Australia to demonstrate that it is efficiently and effectively performing its statutory functions.

The Statement of Intent is available on our website:  
[www.infrastructureaustralia.gov.au](http://www.infrastructureaustralia.gov.au)



# Governance

## Infrastructure Australia Board

The Infrastructure Australia Board has 12 members and met 8 times in the year to June 2016.

Board member	Term Commencement	A	B
Mark Birrell (Chair)	September 2014	8	8
Julianne Alroe	June 2015	6	8
Gerard Blood	September 2014	8	8
Michael Carapiet	January 2015	6	8
Peter Corish	September 2014	7	8
Colin Duffield	September 2014	8	8
John Ellice-Flint	December 2014	8	8
Nicole Lockwood	September 2014	6	8
Dan Norton	September 2014	8	8
Kerry Schott	September 2014	8	8
Gabrielle Trainor	December 2014	8	8
Peter Watson	September 2014	8	8

A = Number of meetings attended

B = Number of meetings held during the time the Board Member held office during the year



**Mark Birrell**

**Chairman**

Mark Birrell joined the Infrastructure Australia Council in 2008 and was appointed Chairman of the new Infrastructure Australia Board in September 2014. Mr Birrell, a lawyer by training,

has extensive experience in the industry.

He is currently the Chairman of Port of Melbourne Corporation, Regis Health Care Limited and PostSuper Pty Ltd. He was Chairman of Infrastructure Partnerships Australia from 2005 until 2013 and national leader of the infrastructure group at Minter Ellison from 2002 to 2012. From 1992 to 1999, Mr Birrell held a cabinet position in Victoria as Minister for Major Projects and as Minister for Industry, Science and Technology.

Mr Birrell has a Bachelor of Economics and Bachelor of Laws and was recently awarded an Honorary Doctorate of Laws by Monash University. He has been admitted to practise as a barrister and solicitor in the Supreme Court of Victoria and the High Court.



**Julieanne Alroe**

**Board Member**

Julieanne Alroe was appointed to the position of CEO and Managing Director at Brisbane Airport Corporation Limited in July 2009. In addition to this role, Julieanne currently holds board positions with Tourism and

Events Queensland and Infrastructure Australia. She is also President of the Queensland Futures Institute.

Prior to this recent appointment, Julieanne developed extensive experience within the aviation industry after holding a number of roles at Sydney Airport Corporation. These roles included executive management positions in the commercial, operations, corporate affairs, and planning and infrastructure departments. Previous board appointments include the position of chairman of Airports Coordination Australia Ltd and Airports Council International Safety and Technical Standing Committee. She was also a Board member of The Queensland Theatre Company, Australia Trade Coast Ltd. and the International Grammar School Sydney.

Ms Alroe has a Bachelor of Economics from the University of Queensland and is a member of the Australian Institute of Company Directors.



**Gerard Blood**

**Board Member**

Gerard Blood has 27 years of experience in creating, managing and restructuring infrastructure and development projects in Australia, UK, Canada, Middle East, North Africa and Asia. Mr Blood was

a board director of Western Health from July 2013 and PPB Advisory's director and head of infrastructure until December 2014.

From May 2011 to November 2012, Mr Blood provided interim management and consulting services to Government and private sector clients in the region including Australia, Asia and the Middle East. He was a senior Executive Director at Gulf Finance House from September 2010 until April 2011. Prior to that, Mr Blood was a Dubai-based Managing Director of Macquarie Capital from January 2009 to August 2010. From 2003 to 2008 he was Managing Director at Bilfinger Berger Concessions.

Mr Blood has a Masters of Business Administration from London Business School and a Bachelor of Engineering from the University of Ballarat in Victoria.



**Michael Carapiet**

**Board Member**

Michael Carapiet is the Chairman of Link Group Limited, the largest administrative services provider to Australian superannuation funds and a leading provider of

international share registry and corporate services.

Mr Carapiet is also Chair of Smartgroup Corporation Limited, a leading provider of salary packaging and novated leasing services.

He is Chair of the NSW Government's Insurance and Care Board, which includes NSW Workers Compensation, Lifetime Care and Support, Self Insurance Corporation and NSW Dust Diseases. Mr Carapiet is Chair of Adexum Capital Limited, a boutique private equity fund.



**Peter Corish AM**

**Board Member**

Peter Corish was the President of the National Farmers Federation from 2002 to 2006. He was Managing Director and CEO of PrimeAG Australia from 2008 to 2013. From 2007 to 2011, he served as a member

of the Council of Australian Governments Reform Council and held the post of Commissioner of the National Water Commission from 2005 to 2008.

Between 2003 and 2006, Mr Corish was a member of the Commonwealth Government Business Roundtable for Sustainable Development. He was founder and now chairs the Corish group of agricultural businesses.



**Colin Duffield**

**Board Member**

Colin Duffield is a Professor in engineering project management and civil engineering discipline leader at the University of Melbourne's department of infrastructure engineering. He has been involved as both a

researcher and practitioner in infrastructure delivery for public and private clients and his research into projects has been widely cited in Australia and globally.

Dr Duffield has also served as an adviser to projects on risk and project restructuring and has been an independent reviewer and researcher of major engineering contracts.

He holds a Doctor of Philosophy and Master of Engineering Science from the University of Melbourne and Bachelor of Engineering from Deakin University.



**John Ellice-Flint**

**Board Member**

John Ellice-Flint is a businessman and petroleum geologist.

Mr Ellice-Flint has over 40 years of international exploration, production, operations and commercial experience in the oil and gas industry.

He worked for Unocal Corporation for 28 years, where he served in a variety of senior executive roles leading global exploration, strategic planning and technology functions. He was also technical advisor to the governments and national oil companies of a number of different countries.

Mr Ellice-Flint was then Managing Director and CEO of Santos Limited from 2000 to 2008. He has been the Executive Chairman of Blue Energy Limited since June 2013 and has been a Director of the Australian Ballet since 2010. He served as the Chairman of the South Australian Museum Board from 2003 to 2011 and was Chairman of the Board of Clean Seas Limited from 2009 to 2012.



**Nicole Lockwood**

**Board Member**

Nicole Lockwood is the Principal of Lockwood Advisory providing strategic advice to government and the private sector in the areas of regional development, infrastructure and stakeholder

engagement. Ms Lockwood is a member of the Board of the Water Corporation, the Board of Tourism WA, Chair of the Freight and Logistics Council and the Deputy Chair of the Leadership WA Board.

Previously she was a Director at KPMG leading the government team in Management Consulting. She resided in the Pilbara for seven years until 2012 as Chairman of the Pilbara Development Commission, a member of the WA Planning Commission, a Director on the Horizon Power board and a Councillor at the Shire of Roebourne. She was the Shire President from 2009 to 2011.

Ms Lockwood is a lawyer having worked in private practice, at the Office of the Director of Public Prosecutions and as the Principal Solicitor of the Pilbara Community Legal Service. She is passionate about government reform, regional and economic development and the creation of thriving communities.

She has a Bachelor of Laws as well as Bachelor of Business (Environment) from Notre Dame University.



**Daniel Norton AO**

**Board Member**

Daniel Norton has extensive industry experience at both the corporate and government levels in a wide range of sectors including infrastructure, agriculture, transport and health.

He is currently the Chairman of TasNetworks, WINconnect and the Royal Hobart Hospital Redevelopment Executive Steering Committee. Dr Norton has been the Chairman of Tasports, the National Electricity Market Management Company and Menzies Medical Research Institute, and Deputy Chairman of the Tasmanian Water & Sewerage Corporation.

He has a Bachelor of Agricultural Science from the University of Melbourne, Master of Economics from the University of New England, a PhD from North Carolina State University’s School of Economics and Business and a Hon. LLD from the University of Tasmania.



**Kerry Schott AO**

**Board Member**

Kerry Schott was the CEO for the NSW Government’s Commission of Audit and is Chair of the Moorebank Intermodal Company Ltd, Chair of Transgrid, a Director of NBN and of TCorp NSW.

Dr Schott was a member of the Infrastructure Australia Council since its inception in 2008. She was CEO and Managing Director of Sydney Water from 2006 until 2011. Prior to that she spent many years as an investment banker and public servant.

Dr Schott holds a Doctor of Philosophy from University of Oxford, a Masters of Arts from the University of British Columbia and a Bachelor of Arts from the University of New England.



**Gabrielle Trainor**

**Board Member**

Ms Gabrielle Trainor is a non-executive director and advisor whose experience covers more than twenty years involved in the governance of organisations in the public and private

sectors. Her background is as a lawyer, newspaper journalist, public sector executive and consultant in issues management, public policy and corporate affairs.

Ms Trainor is a director of organisations including two ANZ Banking Group subsidiary boards, the Barangaroo Delivery Authority, Clarius Limited, Cape York Partnership, and Business Events Sydney. She is a Commissioner of the AFL, a member of the board of trustees of Western Sydney University and of the Charlie Perkins Education Trust. She chairs the National Film and Sound Archive and Barnardo’s Australia. She has been a director of entities including the NSW State Rail Authority, Rail Access Corporation, State Transit Authority, Power Facilities, VicUrban and Infrastructure Partners Investment Trust and was a member of the advisory board of Leighton Contractors.

Ms Trainor holds a Bachelor of Laws from the University of Melbourne and is admitted as a barrister and solicitor of the Supreme Court of Victoria. She holds a Master of Arts from Western Sydney University and is a Fellow of the AICD and an Honorary Associate in the Graduate School of Government at the University of Sydney.



**Peter Watson**

**Board Member**

Peter Watson has over 25 years of experience in the engineering, construction and services industries. He has been the non-executive Chairman of ASX-listed LogiCamms since July 2011

and is currently on the Advisory Board of the Victorian Major Transport Infrastructure Board supporting the Coordinator General. Mr Watson provides Governance and advisory services to a number of private and public companies.

He was the Chairman of Regional Rail Link Authority in Victoria, a position he assumed in August 2010 until its completion in October 2015. In addition, he was Chairman of AssetCo during the period June 2010 to Sept 2015 a company owned by IFM investors specialising in managing PPP assets. Mr Watson executive career was as CEO of Transfield Services where he grew the Australian service provider to the resource and energy sectors into a global entity during his 16-year stewardship from 1993 to 2009.



### **Philip Davies**

#### **Chief Executive Officer**

Philip Davies is the Chief Executive Officer of Infrastructure Australia.

Before joining Infrastructure Australia, Philip led AECOM's Infrastructure Advisory business

in Asia Pacific providing government and private sector clients with infrastructure advisory services.

Formerly, he was a Director of Transport for London where he lead traffic operations and major reforms across London's surface transport business.

He is a Chartered Engineer and a Fellow of Engineers Australia.

### **Audit and Risk Committee**

The Infrastructure Australia Board established the Audit, Risk & Compliance Committee (the Committee) to assist the Board in satisfying its corporate governance obligations and responsibilities including:

- Financial management
- Risk management
- Reporting obligations
- Overseeing frameworks for compliance with relevant laws, standards and regulations.

The Committee assists the board in fulfilling its financial management, risk management and reporting obligations including those set out in the:

- *Infrastructure Australia Act (No.77 as amended)*
- *Public Governance and Accountability Act (Cth) 2013*
- *Public Governance, Performance and Accountability Rules (Cth) 2014*

The Committee also acts as a forum for communication between the Board, Infrastructure Australia Senior Management and relevant auditors and independent advisers.

The Committee members are:

- Kerry Schott (Chair)
- Peter Corish
- Nicole Lockwood
- Peter Watson

### **Human Resources and Administration Committee**

The Infrastructure Australia Board established the Human Resources and Administration Committee (the Committee) as a source of counsel to the Chief Executive Officer (CEO) and to Board on human resources and business administration matters.

The Committee assists the CEO and staff on strategic matters relating to Infrastructure Australia's resources including:

- Culture, ethics and employee engagement
- Recruitment, selection and succession planning
- Procurement, building lease, IT and related office administrative matters
- Performance Management
- Remuneration strategies and terms and conditions relating to employment
- Organisational development.

The Committee members are:

- Dan Norton (Chair)
- Colin Duffield
- Gabrielle Trainor

### **Organisational structure**

Infrastructure Australia is responsible to the Minister for Major Projects, Territories and Local Government, the Hon Paul Fletcher MP, and the Minister for Infrastructure and Transport, the Hon Darren Chester.

At the beginning of this reporting period Infrastructure Australia was responsible to the Deputy Prime Minister and Minister for Infrastructure and Regional Development, the Hon Warren Truss MP (until February 2016), and to the Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP (until September 2015).

In addition to the 13 holders of public office (the Board and CEO), Infrastructure Australia engaged a team of 19 in its office in Sydney, NSW as of 30 June 2016, of these five were seconded from another Commonwealth entity.

## Risk Management

Effective risk management is essential to ensure Infrastructure Australia achieves its strategic objectives and corporate plans, as well as fulfils its legislative mandate within the *Infrastructure Australia Act 2008*.

As a corporate Commonwealth entity Infrastructure Australia must operate within the relevant rules and regulations prescribed by the *Public Governance, Performance and Accountability Act 2013* and associated rules.

Infrastructure Australia's organisational culture embraces and promotes risk management activities. To facilitate this outcome, Infrastructure Australia has embedded risk management into its systems and business processes to develop a risk management culture throughout the organisation and to optimise our ability to meet our strategic objectives.

Infrastructure Australia has adopted an enterprise risk management framework to support its corporate plan, key objectives and delivery of core business. The framework includes a tailored risk management process to ensure risks are identified and analysed consistently across all areas, and that risk evaluation is linked to practical and cost effective risk response and controls that are appropriate to the business. In addition, the risk management framework ensures that risks are regularly monitored, reviewed, and communicated to internal and external stakeholders in a timely and effective manner.

The risk management framework consists of six steps: identify, analyse, evaluate, respond, monitor, report and review.

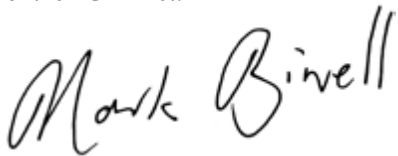
Risk management is a core responsibility throughout all levels of the organisation. The effective management of risk is a process of continuous improvement, requiring regular review and evaluation mechanisms.

Infrastructure Australia reviews its risk management framework and the application of its risk management practices at least annually, and implements improvements arising out of such reviews, to ensure that the risk management framework remains current and relevant.

# Annual Performance Statement

I am pleased to present the 2015-16 annual performance statements of Infrastructure Australia, as required under paragraph 39(1) (a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



Mark Birrell

Chairman

## Entity Purpose

Infrastructure Australia provides independent research and advice to all levels of government, as well as investors and owners of infrastructure, on the projects and reforms Australia needs to fill the infrastructure gap.

We publicly advocate for reforms on key issues including financing, delivering and operating infrastructure and how to better plan and utilise Australia's infrastructure networks.

Under the *Infrastructure Australia Act 2008*, Infrastructure Australia has responsibility to strategically audit Australia's nationally significant infrastructure, and develop 15 year rolling Infrastructure Plans that specify national and state level priorities.

In addition to our work on the audits and plans, Infrastructure Australia also has responsibility to determine which nationally significant projects should be on the *Infrastructure Priority List*. This is a rigorous prioritisation process that ensures there is a highly credible pipeline of nationally significant infrastructure projects<sup>1</sup>.





The Hon. Malcolm Turnbull, Prime Minister and Infrastructure Australia Chairman Mark Birrell at the launch of the *Australian Infrastructure Plan* at Brisbane Airport

## Results

Criterion source	Performance criterion	Result against performance criterion
Corporate Plan & Portfolio Budget Statements	Delivery of the <i>Australian Infrastructure Plan</i> to Government.	Achieved.  The 15 year <i>Australian Infrastructure Plan</i> was delivered to Government, and publicly launched on 17 February 2016.
Corporate Plan & Portfolio Budget Statements	Evaluations of project proposals completed and a summary of these evaluations published on Infrastructure Australia's website.	Achieved.  The following projects were added to the <i>Infrastructure Priority List</i> in 2015-16: 1. CityLink Tullamarine Widening Project 2. Perth Freight Link 3. Inland Rail 4. M4 Motorway upgrade 5. Westconnex 6. Mitchell Freeway extension (Burns Beach Road to Hester Avenue) 7. M1 Pacific Motorway—Mudgeeraba to Varsity Lakes 8. Ipswich Motorway (Rocklea to Darra)
Corporate Plan & Portfolio Budget Statements	Publication of an updated <i>Infrastructure Priority List</i> .	Achieved.  The updated <i>Infrastructure Priority List</i> was launched on 17 February 2016 and featured 93 projects and initiatives.
Corporate Plan & Portfolio Budget Statements	Delivery of research and other initiatives that provide leadership on regulatory reform objectives and promote best practice in the planning, funding and delivery of infrastructure.	Achieved.  The <i>Australian Infrastructure Plan</i> features 78 recommendations for reform across all four of Australia's economic infrastructure sectors.

### **The Australian Infrastructure Plan**

On 17 February 2016, the *Australian Infrastructure Plan* was launched by the Prime Minister, the Hon Malcolm Turnbull MP in Brisbane.


The Plan was developed through a collaborative 18-month process of research and consultation following the release of the *Northern Australia Audit*, and the *Australian Infrastructure Audit* in 2015.

Since releasing the audits we received more than 100 formal submissions and we consulted with more than 500 stakeholders in every state and territory. The submissions and the outcomes from the consultations, provided the evidence base for the Plan.

The Plan sets out 78 recommendations for reform and provides a vision and roadmap to address today's infrastructure gaps, and to meet the challenges of the future.

In developing the Plan, we prioritised the user – the commuter waiting for a train, the family paying their electricity bill and the business looking to capitalise on overseas markets.

Our Plan recommends reforming the funding and operation of transport infrastructure, completing the national electricity market, improving the quality and competitiveness of the water sector and delivering a telecommunications market that responds to user demand.



**In developing the Plan, we prioritised the user – the commuter waiting for a train, the family paying their electricity bill and the business looking to capitalise on overseas markets.**



The Hon Paul Fletcher, Minister for Major Projects, Territories and Local Government at the launch of the *Australian Infrastructure Plan* in Brisbane

## Responses to the launch of the *Australian Infrastructure Plan and Infrastructure Priority List*

*“The landmark 15-year national infrastructure plan... warns that unless Australia recaptures the “reform spirit” of the 1980s and 90s, it will be choked by congestion as population growth outstrips that of countries such as Britain, Canada and the US.”*

**The Australian editorial, 17 February 2016.**

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*“This report is firmly supported by the infrastructure sector... (It) is a very honest prescription of what’s needed to fix Australia’s infrastructure”.*

**Brendan Lyon, Chief Executive, Infrastructure Partnerships Australia, 17 February 2016.**

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*“The release of Infrastructure Australia’s first 15-year plan provides a clear direction for improving infrastructure provision in our growing cities and regions. The plan shows the value of Infrastructure Australia as an independent adviser and the important contribution it makes to the national infrastructure debate.”*

**Jennifer Westacott, Chief Executive, Business Council of Australia, 17 February 2016.**

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*“Identifying and progressing the projects that will deliver the most for our cities is a critical task and Infrastructure Australia has made significant progress through the release of their priority list today.”*

**Scott Charlton, Chief Executive Officer, Transurban, 17 February 2016.**

*“Infrastructure Australia is showing great leadership – and independence – in recommending bold and fearless reforms. Australia must continue to have an ongoing public dialogue about the state of the nation’s infrastructure – the services it delivers, the cost to the nation and how Australia will pay for it.”*

**Danny Broad, Chief Executive Officer, The Australasian Railway Association, 17 February 2016.**

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*“The Plan is based on an aspiration of better decisions and better delivery. We now call on governments to use the Infrastructure Australia plan to provide the community with assurance that they are getting value for money from their tax payer dollar.”*

**Stephen Durkin, Chief Executive Officer, Engineers Australia, 17 February 2016.**

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*“IA’s plan paves the way for improved freight efficiency – the challenge before all governments is to work in the national interest and implement its recommendations in a timely and coordinated fashion.”*

**Michael Kilgariff, Managing Director, Australian Logistics Council, 17 February 2016.**

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*“We look forward to working with Government to implement the elements of today’s plan that will keep our farmers internationally competitive and at the forefront of their industry.”*

**Fiona Simson, Vice-President and Infrastructure Taskforce Chair, National Farmers’ Federation, 17 February 2016.**

*“The AAA strongly supports Infrastructure Australia’s call for a public inquiry into road funding reform and how we can replace current taxes with a fairer road user pricing mechanism. Led by a body like the Productivity Commission or Infrastructure Australia, such an inquiry is the critical next step in developing a funding model capable of building the transport system Australia needs for the ‘21st Century.’”*

**Michael Bradley, Chief Executive, Australian Automobile Association, 17 February 2016.**

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*“The report presents an opportunity for governments to look at major reform to address Australia’s growing population and urbanisation challenges, in a way that supports economic growth, sustainability and liveability.”*

**Megan Motto, Chief Executive, Consult Australia, 16 February 2016.**

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*“We are particularly pleased to see investment in active and public transport options being considered in our cities, which will reduce congestion, cut greenhouse gas emissions and improve our health and wellbeing”*

**Romilly Madew, Chief Executive Officer, Green Building Council of Australia, 17 February**

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*“WSAA supports the recommendation in the Australian Infrastructure Plan for better independent economic regulation of the water sector and for a national framework to be established.”*

**Adam Lovell, Executive Director, Water Services Association of Australia,**

*“This Infrastructure Australia priority list means we can move beyond election-cycle infrastructure announcements and start to examine how to best plan and pay for critical infrastructure.”*

**Chris Walton, Chief Executive, Professionals Australia, 17 February**

### **Infrastructure Priority List**

In February 2016, we released Infrastructure Australia's updated *Infrastructure Priority List*.

Taking the data collected for the *Australian Infrastructure Audit* and the *Northern Australia Audit* as the primary evidence base, Infrastructure Australia undertook an assessment of Australia's infrastructure gaps and requirements.

We then took this data and worked closely with state and territory governments to analyse the infrastructure challenges and potential solutions in each jurisdiction.

All of the projects and initiatives on the *Infrastructure Priority List* have been assessed through Infrastructure Australia's updated assessment framework. The framework was also developed in close consultation with the state and territory governments.

Through this approach we developed a priority list of 93 nationally significant investment opportunities that all levels of government can choose from.

This consensus list of transformative projects and initiatives included:

- New metro rail systems in Sydney, Melbourne and Brisbane
- Road and rail initiatives to mitigate urban congestion in Perth
- Public transport improvements in Adelaide and Canberra
- Urban renewal in Hobart
- Metropolitan water supply upgrades to support Darwin's growing population.

We also listed key initiatives for the future such as the protection of the corridors for High Speed Rail and new ring roads around Melbourne and Sydney.

The Board assessed and added eight projects to the *Infrastructure Priority List* in 2015-16:

1. CityLink Tullamarine Widening Project
2. Perth Freight Link
3. Inland Rail
4. M4 Motorway upgrade
5. Westconnex
6. Mitchell Freeway extension (Burns Beach Road to Hester Avenue)
7. M1 Pacific Motorway—Mudgeeraba to Varsity Lakes
8. Ipswich Motorway (Rocklea to Darra)

These business cases moved onto the *Infrastructure Priority List* as High Priority or Priority Projects, and many have started construction.

By the end of 2015-16, Infrastructure Australia was assessing a further twelve business cases for initiatives that were identified in the *Infrastructure Priority List*. We are keeping in close contact with state and territory governments to advise on the development of future business cases.

### **Updated assessment framework**

All of the projects and initiatives on the *Infrastructure Priority List* have been assessed through Infrastructure Australia's assessment framework. The framework was developed in close consultation with the state and territory governments.

The updated assessment framework places a greater focus on defining the problem the project aims to solve, its broader strategic fit and its deliverability.

In terms of cost benefit economic analysis, Infrastructure Australia used a standard method using discounted cash flow analysis to compare different costs and benefits, in order to determine a net benefit or a net cost for each project. Our approach assumed that all cost and benefit items are equally weighted. No other methods of preparing a cost benefit analysis were used in the period<sup>2</sup>.

2. Refer to section 39C(b) of the *Infrastructure Australia Act 2008*

### **Building the internal corporate functions of Infrastructure Australia**

Infrastructure Australia places a high priority on developing the capability to provide high quality advice to governments and the community.

In 2015-16 Infrastructure Australia recruited key senior staff, and created the key organisational functions for the organisation.

We have also further developed our in-house capabilities to provide governance and corporate services. This included systems, structures and processes that enable the organisation to fulfil its duties as an independent statutory body that provides high quality advice on infrastructure matters.

Infrastructure Australia Chief Executive Officer Philip Davies at the Australian Transport Summit



**Australian  
Transport  
Summit**



## Moving through the project lifecycle

Since its establishment in 2008, Infrastructure Australia has undertaken robust, independent assessments of infrastructure proposals and provided clear advice to governments on priorities for investment.

This process has supported an improvement in the quality of infrastructure planning and proposal development across Australia.

Infrastructure Australia's *Infrastructure Priority List* provides rigorous, independent advice on the infrastructure investments Australia needs over the next 15 years. The List guides decision makers on how to allocate resources, provides industry with a clear forward program of works and promotes community confidence in the economy.

Importantly, the Priority List is not static. It evolves as new challenges and needs emerge, and as projects move from initiative and project stage and then on to delivery.

Below are examples of projects assessed over the last two years that are now being delivered for the benefit of the community.

### Victoria – City-Link Tullamarine Widening Project

Infrastructure Australia's *Australian Infrastructure Audit* found that Australia's urban road networks are projected to come under increasing pressure as the population grows. Unless we take action to address this problem, congestion in our cities could result in substantial economic and social costs. The Audit projected that road congestion will cost the Australian economy \$53 billion by 2031.

The *Australian Infrastructure Plan* recommended that to deal with this growth, governments will need to build additional capacity as well as fund investments in projects and technologies that make better use of existing infrastructure.

As part of the City Link Tullamarine Widening project, the Victorian Government proposed to widen and introduce managed motorways technology on the M2 road corridor from Melbourne Airport through to the M1.

This work also included various other works such as grade separation and ramp metering including priority queue bypass for buses on the ramp from the Airport onto the Tullamarine Freeway.

It is only through a combination of building new infrastructure and using what we already have more effectively, that Australia will be able to reap the benefits of our substantial growth.

The Infrastructure Australia Board positively assessed the project in 2015-16. The project is now being constructed and is expected to be completed by mid-2017.

### Western Australia – Mitchell Freeway extension (Burns Beach Road to Hester Avenue)

The *Australian Infrastructure Audit* identified Perth as one of the fastest growing capital cities in the country. The Audit projected that without action Perth will have seven of the top 10 most congested corridors in the country by 2031.

The northern and north-western suburbs of Perth are areas of particularly high projected population growth over the period to 2031. Congestion on the Mitchell Freeway, which links these suburbs to the rest of Perth, is already causing significant delays and costs to the local economy. Growth in the area is expected to increase these delays and costs.





City-Link Tullamarine Widening project, Victoria

Over the next two decades, Western Sydney will be home to an additional 900,000 people, with more than half of all Sydneysiders expected to be living in this region within 25 years.

The Mitchell Freeway extension seeks to address this problem by improving the connectivity to, from, and within these suburbs. The project proposes extending the Mitchell Freeway by six kilometres, and undertaking a number of related local road improvements to expand road capacity and reduce congestion.

The Infrastructure Australia Board positively assessed the project in 2015-16. The project is now under construction and is expected to be completed by mid-2017.

### **New South Wales – Moorebank Intermodal Terminal**

The efficient movement of freight across Australia and internationally is critical to the nation's ongoing productivity, growth and competitiveness. The *Australian Infrastructure Audit* projected that the total domestic land freight task is projected to grow by 80% between 2011 and 2031.

The Moorebank Intermodal Terminal is an important part of the Australian Government's commitment to increase national and state productivity by improving efficiency and freight throughput at Port Botany, and subsequently across Australia. It will enable more containerised freight to be moved by rail, instead of road, both locally and nationally.

The shift of freight to rail has the important strategic benefit of improving issues of road congestion for passenger vehicles and delivering safety benefits. It also provides productivity and sustainability benefits, and reduces lifecycle costs.

Infrastructure Australia assessed the project in 2014-15 giving it a rating of 'Threshold.' The proponents are currently finalising approvals with the NSW government before commencing construction.

### **New South Wales – Bringelly Road Upgrade**

Over the next two decades, Western Sydney will be home to an additional 900,000 people, with more than half of all Sydneysiders expected to be living in this region within 25 years. Preliminary analysis indicates that within five years from the opening of Western Sydney Airport in 2025, total passenger demand could reach 10 million per annum.

The provision of efficient transport options connecting the Western Sydney Airport to other key hubs such as the CBD, Parramatta, Western Sydney Employment Area, and North West and South West Growth Centres is also critical to avoid unnecessary travel delays and enable sustained economic growth.

The NSW Government proposed to upgrade Bringelly Road between King Street, Leppington and Camden Valley Way, Austral in South West Sydney. The proposal involved the widening of the road carriageway and the introduction of traffic lights and the expansion of intersections. This is Stage 1 of a two stage plan to upgrade the full length of Bringelly Road.

Australian Government funding for the project was provided to support the development of the road network to the Western Sydney Airport.

Infrastructure Australia assessed the project in 2014-15 giving it a rating of 'Real potential.' The first section of the upgraded Bringelly Road was opened to traffic in December 2015 and Stage 2 is expected to be completed by mid-2019.

## Queensland – Gateway Motorway Upgrade North

The *Australian Infrastructure Audit* identified that Queensland is projected to reach 6.45 million people in 2031 – an increase of 44 percent, from 2011. This population growth is projected to be shared almost equally between Brisbane and the rest of the state.

In 2011 over 75,000 vehicles per day used the Gateway Motorway North. Travel demand is expected to grow beyond 120,000 vehicles per day by 2026. The rising level of congestion has been a significant causal factor in the increase in accidents. The Gateway Motorway North accident rate has increased by 71% while the vehicle kilometres travelled has only increased by 32% over a ten year period.

To deal with this issue, the Queensland Government proposed a series of upgrades to the Gateway Motorway North, including widening of approximately 11 kilometres of the motorway from four to six lanes between Nudgee and Deagon, north of Brisbane Airport.

In addition to vital safety improvements, the project aims to support local freight movements and the economic growth potential of the Australia Trade Coast precinct, Port of Brisbane and adjoining commercial area.

Infrastructure Australia assessed the project in 2014-15 giving it a rating of ‘Ready to proceed.’ Major works are now underway on the project and the upgrade is due to be completed by late 2018.



# Financial performance

## Overview

During 2015-16 the majority of Infrastructure Australia's corporate services functions were delivered by the Department of Infrastructure and Regional Development through a shared services arrangement. These services included the financial management of the entity from 1 July 2015 to 31 March 2016. Infrastructure Australia's Finance department was directly responsible for the financial management of the entity from 1 April 2016.

Infrastructure Australia's revenue in 2015-16 included \$11.797 million which consisted of the \$11.768 million annual budget allocation and \$0.029 million interest income.

Infrastructure Australia's 2015-16 expenditure totalled \$11.413 million. Expenditure included \$3.988 million in employee related expenses, \$7.366 million in supplier expenses and \$0.059 million in depreciation.

## Objectives of Infrastructure Australia

Infrastructure Australia is a Corporate Commonwealth entity established on 1 September 2014 following amendment of the *Infrastructure Australia Act 2008*. Infrastructure Australia is a not-for-profit Australian Government owned entity.

The objective of Infrastructure Australia is to support the Australian Government's plan to build a strong and prosperous economy. This is to be done through the provision of high quality independent advice concerning nationally significant infrastructure.

On 1 September 2014 relevant assets, liabilities and the balance of the Infrastructure Australia Special Account were transferred to Infrastructure Australia from the Department of Infrastructure and Regional Development (DIRD).

Infrastructure Australia has a single outcome: Improve decision-making on matters relating to infrastructure; advise governments and others on matters relating to infrastructure, including better assessment of infrastructure needs and prioritisation of infrastructure projects; and promote best practice infrastructure planning, financing, delivery and operation.

The continued existence of Infrastructure Australia in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for Infrastructure Australia's administration and programs.

## Indemnities and insurances for Officers

In 2015-16 Infrastructure Australia held general liability, professional indemnity, officers' liability, and a range of other corporate insurance.

In 2015-16 Infrastructure Australia held insurance protecting directors and officers from liability for the consequences of wrongful acts as defined in Infrastructure Australia's Comcover policy.



Elevated roadway for the M4 widening, New South Wales

## Basis of Preparation of the Financial Statements

During 2014–15 the majority of Infrastructure Australia's corporate services functions were delivered via shared services arrangements from DIRD, this includes financial management services. Infrastructure Australia utilised DIRD's financial management information system, processes and controls throughout 2014–15. From 1 April 2015–16, Infrastructure Australia moved to use its own financial management information system, processes and controls.

The financial statements are general purpose financial statements and are required by Section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities recorded at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

## New Accounting Standards

### Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material financial impact, and are not expected to have a future material financial impact on Infrastructure Australia.

### Future Australian Accounting Standard Requirements

The following new/revised/amending standards and/or interpretations issued by the Australian Accounting Standards Board prior to the sign-off date are expected to have a future material impact on Infrastructure Australia's financial statements which are applicable to Infrastructure Australia for future reporting periods.

Standard/Interpretation	Application date	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	1 July 2016	<p>“The amended standard requires not-for-profit public sector entities to provide additional disclosure in relation to related party interactions.</p> <p>Infrastructure Australia may be required to identify and disclose transactions with key management personnel that occur outside the person’s capacity as an ordinary taxpayer, or that involving a benefit not available to the general public.</p>
AASB 16 Leases	1 July 2019	<p>“AASB 16 replaces AASB 117 and other lease-related Interpretations. The new standard requires all leases to be accounted for ‘on balance sheet’ by lessees to better reflect the economics of the transactions.</p> <p>Infrastructure Australia will be required to assess current lease arrangements and recognise relevant balances as leased assets and liabilities.</p>

All other new standards, revised standards, amending standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on Infrastructure Australia’s financial statements.

#### Taxation

Infrastructure Australia is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

#### Accounting for Changes in Accounting Policies

During the year, Infrastructure Australia reviewed the accounting treatment of lease incentives associated with operating leases. This review has resulted in a change in the interpretation of accounting standards, on advice, which has been reflected in the prior period in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

The prior period has been updated to reflect the adjustments as shown in the table below:

Balance Sheet line item	2014-15 Published Financial Statements	Adjustment	2014-15 Restated Comparative
Lease incentive asset	\$1,550,000	(\$1,550,000)	\$0
Operating lease payable (Suppliers payable)	\$52,932	(\$52,932)	\$0
Lease incentive liability	\$1,522,727	(\$1,497,068)	\$25,659

#### Events after the Reporting Period

No events have occurred after the reporting period that require disclosure in these financial statements.



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Urban Infrastructure

I have audited the accompanying annual financial statements of Infrastructure Australia for the year ended 30 June 2016, which comprise:

- Statement by the Board, Chief Executive and General Manager Corporate Services;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Notes to and forming part of the financial statements comprising accounting policies and other explanatory information.

### *Opinion*

In my opinion, the financial statements of Infrastructure Australia:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Infrastructure Australia as at 30 June 2016 and its financial performance and cash flows for the year then ended.

### *Accountable Authority's Responsibility for the Financial Statements*

The Directors' of Infrastructure Australia are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and are also responsible for such internal control as the Directors' determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office



Clea Lewis  
Executive Director

Delegate of the Auditor-General

Canberra

30 September 2016



## INFRASTRUCTURE AUSTRALIA

### Statement by the Board, Chief Executive Officer and General Manager Corporate Services

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Infrastructure Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.



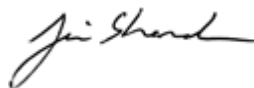
Mark Birrell  
Chair

30 September 2016



Philip Davies  
Chief Executive Officer

30 September 2016



Jim Shanahan  
General Manager Corporate Services

30 September 2016

# Financial statements

## INFRASTRUCTURE AUSTRALIA

### Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$	Original Budget \$
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	3,988,277	2,249,559	2,863,000
Suppliers	1.1B	7,365,656	8,370,433	8,880,000
Depreciation	2.2A	59,149	71,978	25,000
<b>Total expenses</b>		<b>11,413,082</b>	10,691,970	11,768,000
<b>Own-source revenue</b>				
Interest	1.2A	28,916	-	-
<b>Total own-source revenue</b>		<b>28,916</b>	-	-
<b>Total own-source income</b>		<b>28,916</b>	-	-
<b>Net cost of services</b>		<b>(11,384,166)</b>	(10,691,970)	(11,768,000)
Revenue from Government	1.2B	11,768,000	15,037,000	11,768,000
<b>Surplus Deficit attributable to the Australian Government</b>		<b>383,834</b>	4,345,030	-
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		28,617	-	-
<b>Total other comprehensive income after income tax</b>		<b>28,617</b>	-	-
<b>Total comprehensive income attributable to the Australian Government</b>		<b>412,451</b>	4,345,030	-

The above statement should be read in conjunction with the accompanying notes.

## **Budget Variances Commentary**

### **Statement of Comprehensive Income**

#### *Expenses*

Employee benefit expense is higher than budgeted due to the growth in employee numbers resulting from the revised organisational structure established in 2015-16 to increase internal capacity and reduce the reliance on external contractors. The expense figures were in line with the business plan and Mid-year Economic and Fiscal Outlook.

Supplier expenses are lower than budgeted as a result of using less contractors due to the revised employee structure.

There were savings in rent as a result of the revised lease agreement in the second half of 2015-16.

#### *Own Source Revenue*

As part of its separation from the Department of Infrastructure & Regional Development (DIRD), in 2015-16 Infrastructure Australia established its own bank accounts. As a result interest income has been earned in 2015-16 that was not budgeted for.

#### *Other Comprehensive Income*

A revaluation of non-financial assets in June 2016, resulted in an increase in the net value of its assets of \$28.6k, that was not budgeted for.

## INFRASTRUCTURE AUSTRALIA

### Statement of Financial Position

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$	Original Budget \$
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.1A	6,112,596	-	1,084,000
Trade and other receivables	2.1B	158,584	4,372,301	2,000
<b>Total financial assets</b>		<b>6,271,180</b>	<b>4,372,301</b>	<b>1,086,000</b>
<b>Non-financial assets</b>				
Buildings	2.2A	266,667	-	-
Plant and equipment	2.2A	70,600	62,010	37,000
Prepayments	2.2B	111,513	111,686	24,000
<b>Total non-financial assets</b>		<b>448,780</b>	<b>173,696</b>	<b>61,000</b>
<b>Total assets</b>		<b>6,719,960</b>	<b>4,545,997</b>	<b>1,147,000</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	2,582,818	1,288,545	100,000
Lease incentive liability	2.3B	354,849	25,659	-
Other payables	2.3C	109,636	90,837	711,000
<b>Total payables</b>		<b>3,047,303</b>	<b>1,405,041</b>	<b>811,000</b>
<b>Provisions</b>				
Employee provisions	4.1A	178,701	59,451	-
<b>Total provisions</b>		<b>178,701</b>	<b>59,451</b>	<b>-</b>
<b>Total liabilities</b>		<b>3,226,004</b>	<b>1,464,492</b>	<b>811,000</b>
<b>Net assets</b>		<b>3,493,956</b>	<b>3,081,505</b>	<b>336,000</b>
<b>EQUITY</b>				
Contributed equity		(1,263,525)	(1,263,525)	(1,263,000)
Asset revaluation reserve		28,617	-	-
Retained surplus/(Accumulated deficit)		4,728,864	4,345,030	1,599,000
<b>Total equity</b>		<b>3,493,956</b>	<b>3,081,505</b>	<b>336,000</b>

The above statement should be read in conjunction with the accompanying notes.

## **Budget Variances Commentary**

### **Statement of Financial Position**

#### *Financial Assets*

As part of its separation from DIRD, in 2015-16 Infrastructure Australia established its own bank accounts, and as such now holds a cash balance. Cash is further inflated in 2015-16 due to the balance of outstanding invoices at year end.

#### *Non-Financial Assets*

Plant and equipment has increased by \$28.6k as a result of a revaluation at 30 June 2016. There were further additions of \$5.8k in 2015-16.

Prepayments include one month's worth of rent for \$73.0k that was not captured in the budget.

#### *Payables*

The end of year payables figure is higher than budget as a result of invoices owing to DIRD for payments made on Infrastructure Australia's behalf, including payroll.

#### *Provisions*

There were no employee provisions for leave forecast at the budget. The increase in provision from 2014-15 relates to additional annual leave obligations due to the growth in headcount and an increase in long service leave due to employees with longer periods of service.

## INFRASTRUCTURE AUSTRALIA

### Statement of Changes in Equity

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$	Original Budget \$
<b>CONTRIBUTED EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		(1,263,525)	-	(1,263,000)
<b>Opening balance</b>		<b>(1,263,525)</b>	<b>-</b>	<b>(1,263,000)</b>
<b>Transactions with owners</b>				
<b>Distributions to owners</b>				
Returns of capital				
Restructuring	6.1A	-	(1,263,525)	-
<b>Total transactions with owners</b>		<b>-</b>	<b>(1,263,525)</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>(1,263,525)</b>	<b>(1,263,525)</b>	<b>(1,263,000)</b>
<b>RETAINED EARNINGS</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		4,345,030	-	1,599,000
<b>Opening balance</b>		<b>4,345,030</b>	<b>-</b>	<b>1,599,000</b>
<b>Comprehensive income</b>				
Surplus/(Deficit) for the period		383,834	4,345,030	-
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		<b>383,834</b>	<b>4,345,030</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>4,728,864</b>	<b>4,345,030</b>	<b>1,599,000</b>
<b>ASSET REVALUATION RESERVE</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		-	-	-
<b>Opening balance</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>				
Other comprehensive income		28,617	-	-
<b>Total comprehensive income</b>		<b>28,617</b>	<b>-</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>28,617</b>	<b>-</b>	<b>-</b>

	Notes	2016 \$	2015 \$	Original Budget \$
<b>TOTAL EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		3,081,505	-	336,000
<b>Opening balance</b>		<b>3,081,505</b>	-	<b>336,000</b>
<b>Comprehensive income</b>				
Surplus/(Deficit) for the period		383,834	4,345,030	-
Other comprehensive income		28,617	-	-
<b>Total comprehensive income</b>		<b>412,451</b>	<b>4,345,030</b>	<b>-</b>
<b>Transactions with owners</b>				
<b>Distributions to owners</b>				
Returns of capital				
Restructuring	6.1A	-	(1,263,525)	-
<b>Total transactions with owners</b>		<b>-</b>	<b>(1,263,525)</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>3,493,956</b>	<b>3,081,505</b>	<b>336,000</b>

The above statement should be read in conjunction with the accompanying notes.

### Accounting Policy

#### Equity Injections

Amounts that are designated as 'equity injections' for a year are recognised directly in contributed equity in that year.

#### Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

### Budget Variances Commentary

#### Statement of Changes in Equity

##### Retained Surplus

The variance in retained earnings is due to the carry forward of 2014-15 surplus of \$4,345k

##### Asset Revaluation

A revaluation of non-financial assets in June 2016, resulted in an increase in the net value of Information Technology equipment of \$28.6k.

## INFRASTRUCTURE AUSTRALIA

### Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$	Original Budget \$
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Receipts from Government		16,109,502	10,695,046	11,768,000
Interest		28,916	-	-
Net GST received		523,765	697,202	-
<b>Total cash received</b>		<b>16,662,183</b>	<b>11,392,248</b>	<b>11,768,000</b>
<b>Cash used</b>				
Employees		3,937,916	1,809,554	2,924,000
Suppliers		6,605,882	9,582,694	8,880,000
<b>Total cash used</b>		<b>10,543,798</b>	<b>11,392,248</b>	<b>11,804,000</b>
<b>Net cash used by operating activities</b>	3.2	<b>6,118,385</b>	<b>-</b>	<b>(36,000)</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash used</b>				
Purchase of property, plant and equipment		5,789	-	-
<b>Total cash used</b>		<b>5,789</b>	<b>-</b>	<b>-</b>
<b>Net cash from/(used by) investing activities</b>		<b>(5,789)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>		<b>6,112,596</b>	<b>-</b>	<b>(36,000)</b>
Cash and cash equivalents at the beginning of the reporting period		-	-	1,120,000
<b>Cash and cash equivalents at the end of the reporting period</b>	2.1A	<b>6,112,596</b>	<b>-</b>	<b>1,084,000</b>

The above statement should be read in conjunction with the accompanying notes.

#### Budget Variances Commentary

##### Cash Flow Statement

###### Cash received

Cash received is higher than budget due to the receipt of the remaining 2014-15 appropriation cash balance from DIRD in 2015-16. This balance was accrued for during 2014-15 but not received.





# Notes to and forming part of the financial statements

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## Financial Performance

This section analyses the financial performance of Infrastructure Australia for the year ended 2016.

### 1.1 Expenses

	2016 \$	2015 \$
<b>1.1A: Employee and Members Benefits<sup>1</sup></b>		
Wages and salaries	3,321,283	1,618,231
Superannuation		
Defined contribution plans	341,989	187,653
Defined benefit plans	43,733	63,657
Leave and other entitlements	281,272	167,731
Separation and redundancies	-	212,287
<b>Total employee benefits</b>	<b>3,988,277</b>	<b>2,249,559</b>

<sup>1</sup> Employee expenses include payments for employees seconded from the Department.

#### Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

	2016 \$	2015 \$
<b>1.1B: Suppliers</b>		
<b>Goods and services supplied or rendered</b>		
Contracted Services	5,523,659	6,672,736
Travel	324,049	244,127
Property operating costs	288,712	242,926
Publications and subscriptions	98,809	41,840
Recruitment expenses	84,683	95,100
Audit fees	60,000	55,000
Stationery, printing and postage	49,849	24,284
IT communication	34,040	15,740
Consultants	6,870	57,046
Other	34,208	73,533
<b>Total goods and services supplied or rendered</b>	<b>6,504,879</b>	<b>7,522,332</b>
Goods supplied	57,612	47,618
Services rendered	6,447,267	7,474,714
<b>Total goods and services supplied or rendered</b>	<b>6,504,879</b>	<b>7,522,332</b>
<b>Other suppliers</b>		
Operating lease rentals in connection with minimum lease payments	860,777	848,101
<b>Total other suppliers</b>	<b>860,777</b>	<b>848,101</b>
<b>Total suppliers</b>	<b>7,365,656</b>	<b>8,370,433</b>
<b>Leasing commitments</b>		
Infrastructure Australia in its capacity as a lessee has entered into an operating lease for office accommodation purposes. Lease payments are subject to a fixed price increase as per the lease agreement. The operating lease is effectively non-cancellable.		
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>		
Within 1 year	858,695	912,371
Between 1 to 5 years	2,866,899	4,176,022
More than 5 years	-	-
<b>Total operating lease commitments</b>	<b>3,725,594</b>	<b>5,088,393</b>

### Accounting Policy

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount. Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

**1.2 Own-Source Revenue and Revenue from Government**

<b>Own-Source Revenue</b>	<b>2016</b> \$	2015 \$
<b>1.2A: Interest</b>		
Interest revenue	<u>28,916</u>	-
<b>Total interest</b>	<u>28,916</u>	<u>-</u>

**Accounting Policy**

Interest revenue is recognised using the effective interest method.

**1.2B: Revenue from Government**

Department of Infrastructure and Regional Development

Special appropriations	-	15,037,000
Corporate Commonwealth entity payment item	<u>11,768,000</u>	-
<b>Total revenue from Government</b>	<u>11,768,000</u>	<u>15,037,000</u>

**Accounting Policy**

Funding received or receivable from the Department of Infrastructure and Regional Development is recognised as Revenue from Government, unless they are in the nature of an equity injection or loan.

## Financial Position

This section analyses the Infrastructure Australia's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

### 2.1 Financial Assets

	2016 \$	2015 \$
<b>2.1A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	6,112,596	-
<b>Total cash and cash equivalents</b>	<b>6,112,596</b>	<b>-</b>

#### Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents include cash on hand. The cash balance is comprised of \$4.1m which has been set aside for capital investment and \$2.0m for operational expenses.

### 2.1B: Trade and Other Receivables

#### Appropriations receivables

Department of Infrastructure and Regional Development

Special Appropriations

	452	4,341,954
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<b>Total appropriations receivables</b>	<b>452</b>	<b>4,341,954</b>
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#### Other receivables

Employee receivables

	89,438	1,750
--	--------	-------

GST receivable from the Australian Taxation Office

	68,694	28,597
--	--------	--------

<b>Total other receivables</b>	<b>158,132</b>	<b>30,347</b>
--------------------------------	----------------	---------------

<b>Total trade and other receivables</b>	<b>158,584</b>	<b>4,372,301</b>
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#### Trade and other receivables expected to be recovered

No more than 12 months

	156,834	4,372,301
--	---------	-----------

More than 12 months

	1,750	-
--	-------	---

<b>Total trade and other receivables</b>	<b>158,584</b>	<b>4,372,301</b>
--	----------------	------------------

#### Trade and other receivables aged as follows

Not overdue

	156,834	4,370,551
--	---------	-----------

Overdue by

0 to 30 days

	-	-
--	---	---

31 to 60 days

	-	-
--	---	---

61 to 90 days

	-	-
--	---	---

More than 90 days

	1,750	1,750
--	-------	-------

<b>Total trade and other receivables</b>	<b>158,584</b>	<b>4,372,301</b>
--	----------------	------------------

#### Accounting Policy

##### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

## 2.2 Non-Financial Assets

### 2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment

#### Reconciliation of the opening and closing balances of property, plant and equipment for 2016

	Buildings – Leasehold Improvements \$	Plant and equipment \$	Total \$
<b>As at 1 July 2015</b>			
Gross book value	51,358	82,630	133,988
Accumulated depreciation and impairment	(51,358)	(20,620)	(71,978)
<b>Total as at 1 July 2015</b>	<b>-</b>	<b>62,010</b>	<b>62,010</b>
Additions			
Purchase	-	5,789	5,789
Other <sup>1</sup>	300,000	-	300,000
Revaluations and impairments recognised in other comprehensive income	-	28,617	28,617
Depreciation	(33,333)	(25,816)	(59,149)
<b>Total as at 30 June 2016</b>	<b>266,667</b>	<b>70,600</b>	<b>337,267</b>
<b>Total as at 30 June 2016 represented by</b>			
Gross book value	300,000	70,600	370,600
Accumulated depreciation and impairment	(33,333)	-	(33,333)
<b>Total as at 30 June 2016</b>	<b>266,667</b>	<b>70,600</b>	<b>337,267</b>

<sup>1</sup> Office fit-out provided under lease agreement.

#### Reconciliation of the opening and closing balances of property, plant and equipment for 2015

	Buildings – Leasehold Improvements \$	Plant and equipment \$	Total \$
<b>As at 1 September 2014</b>			
Gross book value	-	-	-
Accumulated depreciation and impairment	-	-	-
<b>Total as at 1 September 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
Additions			
Acquisition of entities or operations (including restructuring)	51,358	82,630	133,988
Depreciation	(51,358)	(20,620)	(71,978)
<b>Total as at 30 June 2015</b>	<b>-</b>	<b>62,010</b>	<b>62,010</b>
<b>Total as at 30 June 2015 represented by</b>			
Gross book value	51,358	82,630	133,988
Accumulated depreciation and impairment	(51,358)	(20,620)	(71,978)
<b>Total as at 30 June 2015</b>	<b>-</b>	<b>62,010</b>	<b>62,010</b>

No indicators of impairment were found for property, plant or equipment assets.

### Revaluations

All revaluations were conducted in accordance with the revaluation policy stated below. On 30 June 2016, an independent valuer conducted the revaluations.

### Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

#### Initial Recognition

Purchases of property plant and equipment are recognised initially at cost in the statement of financial position. The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

#### Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair Value Measurement
Buildings (Leasehold improvements)	Depreciated replacement cost
Other Property, Plant and Equipment	Depreciated replacement cost

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a revaluation decrement of the same asset class that was recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

#### Depreciation

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight line method of depreciation.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Asset class	2016
Buildings (Leasehold improvements)	Shorter of lease term or expected useful economic life
Other Property, Plant and Equipment	3 to 100 years



*Impairment*

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Infrastructure Australia were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

**Accounting Judgements and Estimates**

The fair value of leasehold improvements and property, plant and equipment assets was determined using depreciated replacement cost as determined by an independent valuer.

	2016 \$	2015 \$
<b>2.2B: Prepayments</b>		
<b>Prepayments expected to be recovered</b>		
No more than 12 months	111,513	111,686
More than 12 months	-	-
<b>Total prepayments</b>	<b>111,513</b>	<b>111,686</b>

No indicators of impairment were found for other non-financial assets.

**2.3 Payables**

	2016 \$	2015 \$
<b>2.3A: Suppliers</b>		
Trade creditors and accruals	1,146,547	445,028
Payable to Department of Infrastructure and Regional Development	1,436,271	843,517
<b>Total suppliers</b>	<b>2,582,818</b>	<b>1,288,545</b>
<b>Suppliers expected to be settled</b>		
No more than 12 months	2,582,818	1,288,545
More than 12 months	-	-
<b>Total suppliers</b>	<b>2,582,818</b>	<b>1,288,545</b>
Settlement is usually made within 30 days.		
<b>2.3B: Lease incentive liability</b>		
<b>Lease incentive liability expected to be settled</b>		
No more than 12 months	-	-
More than 12 months	354,849	25,659
<b>Total lease incentive liability</b>	<b>354,849</b>	<b>25,659</b>

	2016 \$	2015 \$
<b>2.3C: Other Payables</b>		
Wages and salaries	83,267	80,264
Superannuation	26,369	10,573
<b>Total other payables<sup>1</sup></b>	<b>109,636</b>	<b>90,837</b>
<b>Other payables expected to be settled</b>		
No more than 12 months	109,636	90,837
More than 12 months	-	-
<b>Total other payables</b>	<b>109,636</b>	<b>90,837</b>

<sup>1</sup> Other payables includes the accrued wages and salaries and superannuation calculation for days worked by Infrastructure Australia staff but as yet unpaid on 30 June 2016 in accordance with Infrastructure Australia's ordinary pay cycle.

## Funding

This section identifies Infrastructure Australia's funding structure.

### 3.1 Net Cash Appropriation Arrangements

	2016 \$	2015 \$
<b>Total comprehensive income less depreciation expenses previously funded through revenue appropriations<sup>1</sup></b>	<b>471,600</b>	4,417,008
Plus: depreciation expenses previously funded through revenue appropriation	<b>(59,149)</b>	(71,978)
<b>Total comprehensive income – as per the Statement of Comprehensive Income</b>	<b>412,451</b>	4,345,030

<sup>1</sup> From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

### 3.2 Cash Flow Reconciliation

	2016 \$	2015 \$
<b>Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement</b>		
<b>Cash and cash equivalents as per</b>		
Cash flow statement	6,112,596	-
Statement of financial position	6,112,596	-
<b>Discrepancy</b>	-	-
<b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>		
Net cost of services	(11,384,166)	(10,691,970)
Revenue from Government	11,768,000	15,037,000
<b>Adjustments for non-cash items</b>		
Asset additions – Office fit-out	(300,000)	-
Depreciation/amortisation	59,149	71,978
<b>Movements in assets and liabilities</b>		
<b>Assets</b>		
(Increase)/Decrease in net receivables	4,213,717	(4,370,551)
(Increase)/Decrease in prepayments	173	(88,075)
<b>Liabilities</b>		
Increase/(Decrease) in employee provisions	119,250	59,451
Increase/(Decrease) in suppliers payables	1,294,273	(122,064)
Increase/(Decrease) in other payables	18,799	78,572
Increase/(Decrease) in lease incentive liability	329,190	25,659
<b>Net cash from/(used by) operating activities</b>	<b>6,118,385</b>	-

## People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

### 4.1 Employee Provisions

	2016 \$	2015 \$
<b>4.1A: Employee Provisions</b>		
Leave	178,701	59,451
<b>Total employee provisions</b>	<b>178,701</b>	<b>59,451</b>
<b>Employee provisions expected to be settled</b>		
No more than 12 months	126,674	16,057
More than 12 months	52,027	43,394
<b>Total employee provisions</b>	<b>178,701</b>	<b>59,451</b>

#### Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period (as described in the note below).

##### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Infrastructure Australia is estimated to be less than the annual entitlement for sick leave.

Leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the shorthand method as permitted in the Financial Reporting Rule (FRR). The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation and is discounted using Commonwealth Government bond rates.

##### *Separation and Redundancy*

Provision is made for separation and redundancy benefit payments. Infrastructure Australia recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

*Superannuation*

Staff of Infrastructure Australia are members of the Commonwealth Superannuation Scheme (CSS) and other superannuation funds held outside the Commonwealth. The CSS is a defined benefit schemes for the Australian Government. Other non-Commonwealth funds are defined contribution schemes. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance's administered schedules and notes.

Infrastructure Australia makes employer contributions to the employees' superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of Infrastructure Australia employees. Infrastructure Australia accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final pay fortnight of the reporting period.

**Accounting Judgements and Estimates**

Employee provisions included in this note have been estimated using present value techniques in accordance with the shorthand method as permitted by the FRR. This takes into account expected salary growth and future discounting using bond rates.

**4.2 Senior Management Personnel Remuneration**

	2016 \$	2015 \$
<b>Short-term employee benefits</b>		
Salary	2,061,764	1,149,714
<b>Total short-term employee benefits</b>	<b>2,061,764</b>	<b>1,149,714</b>
<b>Post-employment benefits</b>		
Superannuation	279,690	153,056
<b>Total post-employment benefits</b>	<b>279,690</b>	<b>153,056</b>
<b>Other long-term employee benefits</b>		
Annual leave	131,892	40,278
Long-service leave	63,034	42,915
<b>Total other long-term employee benefits</b>	<b>194,926</b>	<b>83,193</b>
<b>Termination benefits</b>		
Redundancy payments	-	89,787
<b>Total termination benefits</b>	<b>-</b>	<b>89,787</b>
<b>Total senior executive remuneration expenses</b>	<b>2,536,380</b>	<b>1,475,750</b>

The total number of senior management personnel that are included in the above table are 20 (2015: 17). Senior management personnel include Senior Management Officers, the Chief Executive Officer and Board Members of Infrastructure Australia. Senior management personnel for the purposes of reporting include those seconded from DIRD.

### 4.3 Related Party Disclosures

Board members	Date commenced
Members of the Infrastructure Australia board during the reporting period were:	
Mark Birrell (Chairman)	September 2014
Kerry Schott	September 2014
Peter Corish	September 2014
Peter Watson	September 2014
Nicole Lockwood	September 2014
Gerard Blood	September 2014
Daniel Norton	September 2014
Colin Duffield	September 2014
Gabrielle Trainor	December 2014
John Ellice-Flint	December 2014
Michael Carapiet	January 2015
Julianne Alroe	June 2015
Chief Executive Officer	
Philip Davies	April 2015

Board members and the CEO are paid in accordance with Remuneration Tribunal determinations as provided by sections 11 and 32 respectively of the *Infrastructure Australia Act 2008*.

No Board member or CEO has received or become entitled to receive a benefit by reason of a contract made by Infrastructure Australia with the Board member or CEO or with a related entity of the Board member or CEO.

## Managing Uncertainties

This section analyses how Infrastructure Australia manages financial risks within its operating environment.

### 5.1 Contingent Assets and Liabilities

Infrastructure Australia does not have any quantifiable or unquantifiable contingencies (2015: nil).

#### Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

### 5.2 Financial Instruments

	2016 \$	2015 \$
<b>5.2A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	6,112,596	
Trade and other receivables	89,438	1,750
<b>Total loans and receivables</b>	<b>6,202,034</b>	1,750
<b>Total financial assets</b>	<b>6,202,034</b>	1,750
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors and accruals	2,582,818	1,288,545
<b>Total financial liabilities measured at amortised cost</b>	<b>2,582,818</b>	1,288,545
<b>Total financial liabilities</b>	<b>2,582,818</b>	1,288,545

The carrying value of financial assets and liabilities is a reasonable approximation of fair value.

#### Accounting Policy

Infrastructure Australia classifies its financial assets as loans and receivables. Financial assets are recognised and derecognised upon trade date.

##### *Effective Interest Method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

##### *Impairment of Financial Assets*

Financial assets are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### Financial Liabilities

Financial liabilities are classified as other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

#### *Other Financial Liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### 5.2B: Net Gains or Losses on Financial Assets

	2016 \$	2015 \$
<b>Loans and receivables</b>		
Interest revenue	<b>28,916</b>	-
<b>Net gains/(losses) on loans and receivables</b>	<b>28,916</b>	-
<b>Net gains on financial assets</b>	<b>28,916</b>	-

### 5.2C Net Gains or Losses on Financial Liabilities

There was no income or expense associated with financial liabilities during the financial year.

### 5.2D Credit Risk

Infrastructure Australia was exposed to minimal credit risk as loans and receivables were trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade and other receivables \$89,438 (2015: \$1,750). Infrastructure Australia has assessed the risk of default on payment and has not allocated any amounts to an impairment allowance account.

Infrastructure Australia manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship.

Infrastructure Australia held no collateral to mitigate against credit risk.

Note 2.1A provides ageing of gross receivables past due and an analysis of impaired receivables.

### 5.2E Liquidity Risk

Infrastructure Australia's financial liabilities were payables. The exposure to liquidity risk was based on the notion that Infrastructure Australia will encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely as Infrastructure Australia is appropriated funding from the Australian Government. Infrastructure Australia manages its budgeted funds to ensure that it has adequate funds to meet payments as they fall due.

The maturities for non-derivative financial liabilities are within one year in both the current and prior year.



## 5.2F Market Risk

Infrastructure Australia holds basic financial instruments that do not expose them to interest risk, currency risk or other price risk.

## 5.3 Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy

The different levels of the fair value hierarchy are defined below.

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

### Accounting Policy

Infrastructure Australia deems transfers between levels of fair value hierarchy to have occurred at the date of the event or change in circumstances that caused the transfer.

### 5.3A: Fair Value Measurements

#### Fair value measurements at the end of the reporting period

	2016 \$	2015 \$	Category (Level 1, 2 or 3)	Valuation technique(s) and Inputs used
<b>Non-financial assets</b>				
Buildings – leasehold improvements	266,667	-	2	Market Approach – Adjusted market transactions (price per square metre)
Property, plant and equipment	70,600	62,010	2	Market Approach – Adjusted market transactions (price per square metre)

Non-financial assets were revalued in 2015-16 by valuation experts. Infrastructure Australia have relied on the valuations made by these experts. The experts provided written assurance that the model developed to value assets is in compliance with AASB13 and represents their highest and best use.

Changing inputs to the level 2 hierarchy valuations to reasonably possible alternate assumptions would not significantly change amounts recognised in net cost of service or other comprehensive income.

**5.3B: Reconciliation for Recurring Level 3 Fair Value Measurements**

Recurring Level 3 fair value measurements – reconciliation for assets

	Non-financial assets					
	Buildings – leasehold improvements		Plant and equipment		Total	
	2016	2015	2016	2015	2016	2015
<b>As at 1 July</b>	-	-	<b>62,010</b>	-	<b>62,010</b>	-
Additions (including restructuring)	<b>300,000</b>	51,358	<b>5,789</b>	82,630	<b>305,789</b>	133,988
Total gains/(losses) recognised in other comprehensive income <sup>1</sup>	-	-	<b>28,617</b>	-	<b>28,617</b>	-
Total losses recognised in net cost of services <sup>2</sup>	<b>(33,333)</b>	(51,358)	<b>(25,816)</b>	(20,620)	<b>(59,149)</b>	(71,978)
Transfers out of Level 3 <sup>3</sup>	<b>(266,667)</b>	-	<b>(70,600)</b>	-	<b>(337,267)</b>	-
<b>Total as at 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,010</b>	<b>-</b>	<b>62,010</b>

<sup>1</sup> These losses are presented in the Statement of Comprehensive Income under 'Changes in asset revaluation surplus'.

<sup>2</sup> These losses are presented in the Statement of Comprehensive Income under 'Depreciation'.

<sup>3</sup> Infrastructure Australia undertook an asset valuation process as at 30 June 2016. Items were reclassified from level 3 into level 2 due to sufficient market evidence of directly comparable transactions.

## Other Information

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### 6.1 Restructuring

#### 6.1A: Departmental Restructuring

	2015 Infrastructure Australia <sup>1</sup> Department of Infrastructure and Regional Development \$
<b>FUNCTIONS ASSUMED</b>	
<b>Assets recognised</b>	
Other receivables	1,750
Leasehold improvements	51,358
Property, plant and equipment	82,630
Prepayments	23,611
<b>Total assets recognised</b>	<u>159,349</u>
<b>Liabilities recognised</b>	
Trade creditors and accruals	1,422,874
<b>Total liabilities recognised</b>	<u>1,422,874</u>
<b>Net liabilities recognised</b>	<u>(1,263,525)</u>

<sup>1</sup>Infrastructure Australia is a corporate Commonwealth entity established on 1 September 2014 following amendment of the *Infrastructure Australia Act 2008*. Previously, Infrastructure Australia formed part of the Department of Infrastructure and Regional Development. Under the restructure of Administrative arrangements, Infrastructure Australia recognised the transfer of assets and liabilities from the Department of Infrastructure and Regional Development in accordance with AASB 1004 *Contributions*.

### 6.2 Reporting of Outcomes

Infrastructure Australia has a single outcome: Improve decision-making on matters relating to infrastructure; advise governments and others on matters relating to infrastructure, including better assessment of infrastructure needs and prioritisation of infrastructure projects; and promote best practice infrastructure planning, financing, delivery and operation.

Infrastructure Australia has a single outcome and as such the Statement of Comprehensive Income and Statement of Financial Position is representative of that outcome.

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**Annual Report**

2015–16

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