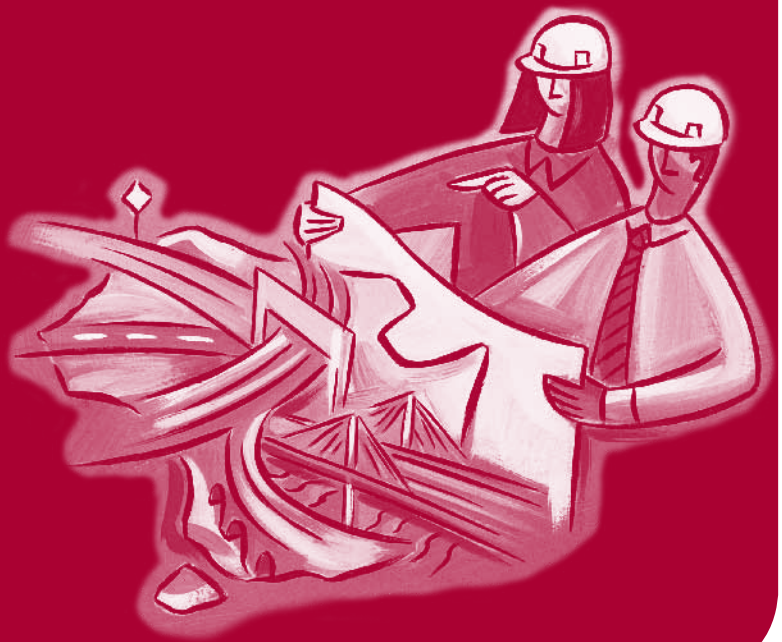


CHAPTER 6

Infrastructure Australia





Australian Government

Infrastructure Australia

The Hon Anthony Albanese MP
Minister for Infrastructure and Transport
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present the Infrastructure Australia Annual Report for the year ended 30 June 2010.

This report has been prepared in accordance with section 26 of the *Infrastructure Australia Act 2008*, which also requires that you table the report in the Parliament.

During the year, Infrastructure Australia fully achieved its targets as published in the Infrastructure, Transport, Regional Development and Local Government 2009–10 Portfolio Budget Statements.

Our second report, *Getting the Fundamentals Right for Australia's Infrastructure Priorities*, has been presented to the Council of Australian Governments. The report updates Infrastructure Australia's advice on national infrastructure reforms and investments for Australia; builds on the national strategy reviews that were announced in our first report, and provides the latest analysis of Australia's infrastructure priorities in the context of those reviews. The report focuses on a series of reform recommendations, and stresses that enacting 'better use' reforms is as important as making new capital investments. The report also updates the nation's infrastructure priorities. This year a spectrum of projects is provided from 'ready to proceed' to those showing genuine potential.

During the year, a review of urban and regional water security strategies was undertaken, a national ports strategy was completed and extensive consultation was conducted to develop a national freight strategy, which is nearing completion. A detailed report on Infrastructure Australia's performance appears as Chapter 6 within the Department of Infrastructure, Transport, Regional Development and Local Government's 2009–10 Annual Report.

No ministerial directions under section 26(2) of the *Infrastructure Australia Act 2008* were received by Infrastructure Australia during the year. The Department's Annual Report contains the information required under the *Freedom of Information Act 1982*.

Again I would like to take this opportunity to thank the staff of the Office of the Infrastructure Coordinator for their professionalism and dedication in assisting Infrastructure Australia to achieve these goals and the other activities that were performed by Infrastructure Australia this year.

Yours sincerely

Sir Rod Eddington
Chair
Infrastructure Australia

PROGRAM 1.2—INFRASTRUCTURE INVESTMENT COORDINATION

Highlights

Getting the Fundamentals Right for Australia's Infrastructure Priorities—a report on national infrastructure reforms and investments and update of the nation's infrastructure priorities—was presented to the Council of Australian Governments (COAG).

As part of its role to provide advice to governments of the issues and impediments to the efficient use of nationally significant infrastructure, Infrastructure Australia conducted a review of existing urban water security strategies, institutional arrangements and regulatory reform programs.

A national ports strategy, designed to improve the efficiency of port-related movements across infrastructure networks was prepared for consideration by COAG.

Infrastructure Australia began work on a national freight strategy. The strategy will be completed in 2010–11 and presented to COAG for its consideration.

Overview

Program 1.2 was delivered by Infrastructure Australia. Program 1.2 does not have any administered items.

Infrastructure Australia is a statutory body which advises governments, investors and infrastructure owners on a wide range of issues. These include:

- Australia's current and future infrastructure needs
- mechanisms for financing infrastructure investments, and
- policy, pricing and regulation and their impacts on investment and on the efficiency of the delivery, operation and use of national infrastructure networks.

The Infrastructure Australia Council also advises on the development of regulatory frameworks and the more efficient operation and delivery of infrastructure, to promote productivity improvements.

Infrastructure Australia has 12 members, formally appointed by the then Minister for Infrastructure, Transport, Regional Development and Local Government. The Chairman, Sir Rod Eddington, and his fellow members are shown in Figure 6.1.

Figure 6.1 Infrastructure Australia Council



Summary of performance

Tables 6.1 and 6.2 summarise Infrastructure Australia’s results in delivering Program 1.2 against the key performance indicators and deliverables and their targets published in the 2009–10 PBS.

Table 6.1 Summary of performance—Program 1.2 key performance indicators

Key performance indicator	Target	Result
<i>Infrastructure and urban system initiatives are promoted in order to maximise economic development and productivity.</i>	Initiatives endorsed by government.	<i>Achieved</i> Infrastructure Australia conducted research into urban and regional water security and quality. The reports recommend a range of institutional, governance and procedural changes to maximise economic development and productivity. A national ports strategy was developed for consideration by COAG.
<i>Integrated infrastructure and urban system priorities are identified to address the local, regional and national needs of Australians.</i>	Integrated infrastructure and urban system priorities identified for transport, energy communications and water infrastructure.	<i>Achieved</i> <i>Getting the Fundamentals Right for Australia’s Infrastructure Priorities</i> , Infrastructure Australia’s second report on national infrastructure reforms and investments and an update of the nation’s infrastructure priorities, was presented to COAG.
<i>Demonstration projects and initiatives promote infrastructure efficiency and urban sustainability.</i>	Government endorsement of projects supported by IA.	<i>Achieved</i> A number of demonstration projects were identified in Infrastructure Australia’s 2009–10 report: for example, Route 86 in Melbourne.

Results Key

- Not achieved None or minimal progress was made against targets in 2009–10
- Partially achieved Some targets were met, and any issues are being managed
- Substantially achieved Targets were mostly met, and any issues are being managed
- Achieved All targets for 2009–10 were met or exceeded

Table 6.2 Summary of performance—Program 1.2 deliverables

Deliverables	Target	Result
<i>Resourcing, governance and oversight mechanisms to facilitate the implementation of identified infrastructure and urban system initiatives are recommended to government.</i>	Recommendations endorsed by government.	Infrastructure Australia coordinated the development of <i>Commercial Principles for Economic Infrastructure</i> , the final volume of the National Public Private Partnership Policy and Guidelines. The principles were endorsed by the COAG Infrastructure Working Group in May 2010.
<i>Project management and governance practices recommended to ensure the implementation of identified infrastructure and urban system initiatives on time and within budget and scope.</i>	All recommended practices adopted.	The Department has adopted enhancements to its project management and governance processes as recommended by Infrastructure Australia.

Detailed report on performance

The following report is against the components of Program 1.2 as set out in the 2009–10 PBS.

I Infrastructure Australia

Report to Council of Australian Governments

In 2009–10, Infrastructure Australia presented its second report to the Council of Australian Governments (COAG), *Getting the Fundamentals Right for Australia's Infrastructure Priorities*. The report emphasised the need for ongoing and substantial reform, not only in the transport sector but across several areas of infrastructure policy. Many of the recommended reforms are focused on improving the planning of Australia's infrastructure networks, and improving pricing and cost recovery for use of those networks.

The report also updated Infrastructure Australia's recommended infrastructure priorities. This update identified projects with an estimated capital cost of \$82.8 billion, including five projects (with an estimated joint capital cost of \$11.6 billion) in the 'ready to proceed' category.

While some project proposals may show good alignment with Infrastructure Australia's strategic priorities, the relevant business cases may be at an early stage of development. Recognising that infrastructure projects normally traverse a process of strategic planning, pre-feasibility and feasibility studies, this year the recommended pipeline projects were more finely differentiated.

Implementation of Building Australia Fund projects

The Department has adopted enhancements to its project management and governance processes, as recommended by Infrastructure Australia.

Long-term infrastructure demand and cost model

Infrastructure Australia has developed a long-term model (to 2056) to test alternative scenarios for the development of Australia's infrastructure networks. The model covers all four economic infrastructure sectors: transport, water, energy and communications infrastructure. Infrastructure Australia will develop and apply the model in 2010–11.

Carbon offsets for infrastructure

During 2009–10, Infrastructure Australia commissioned work to provide an initial analysis of the costs and benefits of establishing a carbon offsets program for the embedded emissions associated with the construction of new infrastructure. This work is being reviewed, with a view to providing advice to government on available options in 2010–11.

Protection of infrastructure corridors

A nationwide review of current practices in the planning, protection and acquisition of corridors for future infrastructure networks has been initiated. This work is expected to be completed during 2010–11.

Review of urban water security strategies

The availability of high-quality, reliable and affordable water is fundamental to maintaining a high living standard for all Australians. The urban water sector in Australia has been undergoing reform for many years; however, the rate of progress is slower in some jurisdictions than in others.

As part of its role to provide advice to governments on the issues and impediments to the efficient use of nationally significant infrastructure, during 2009–10, Infrastructure Australia reviewed existing urban water supply strategies, institutional arrangements and regulatory reform programs.

The review was designed to identify opportunities to enhance existing water supply security strategies and build on the reforms already underway through the National Water Initiative and state and territory water reform programs.

The review found that the capacity to meet current and future demand is a significant challenge for many urban areas. In many instances, the lack of clear responsibility has resulted in poor coordination, duplication of processes, and the preparation of plans by water businesses that are not fully consistent with government objectives.

Infrastructure Australia recommended a range of institutional, governance and procedural changes to maximise economic development and productivity. These

recommendations focus on improved planning frameworks; enhanced water pricing regimes; increased competition in urban bulk supply; and increased consumer choice.

Consultation on the implementation of recommendations and the development of action plans will continue in 2010–11.

Review of water quality and security in regional towns

Infrastructure Australia's water security review found that less than full cost recovery is a common feature of water utilities servicing regional areas. Many utilities servicing regional towns are not recouping the costs of supplying water, let alone providing for capital improvements.

Under the current governance arrangements there are insufficient incentives for water utilities to meet their minimum water quality and water security service standards. Water utilities servicing regional communities struggle to implement and comply with the Australian Drinking Water Guidelines. This is particularly so for smaller water utilities. A key reason for non-compliance is the absence of the necessary skills, experience and knowledge in many regional communities.

If water governance arrangements for water utilities in New South Wales and Queensland were organised on a catchment basis, as is the case in Victoria, significant benefits could be achieved.

A plan to address Infrastructure Australia's findings will be developed in consultation with key stakeholders in 2010–11.

Public–private partnership guidelines

During 2009–10, Infrastructure Australia coordinated the development of Commercial Principles for Economic Infrastructure, the final volume of the National Public Private Partnership Policy and Guidelines. The principles were endorsed by COAG's Infrastructure Working Group in May 2010 and will be submitted to the next COAG meeting for approval.

National ports strategy

After extensive industry and public consultation, and the release of a draft national ports strategy in conjunction with the National Transport Commission in May 2010, Australia's first national ports strategy was prepared for consideration by COAG.

The national ports strategy is designed to improve the efficiency of port-related freight movements across infrastructure networks, while balancing the needs of a growing Australian community and economy with the quality-of-life aspirations of the Australian people. The strategy focuses on transparency; integrated planning; improved landside efficiency, reliability and safety; and clear accountabilities. The strategy has been welcomed by the ports and freight community.

National freight strategy

Infrastructure Australia's infrastructure audit recommended the integration of rail and road freight infrastructure planning and investment to promote a coordinated freight network that is better linked to economic and land use planning.

To address this, in 2009–10, Infrastructure Australia conducted substantial research into issues relevant to a national freight network. It also initiated detailed consultations with governments, industry and interested parties and called for public submissions. The research and consultation was specifically focused on complementing the national ports strategy.

The national freight strategy will be completed in 2010–11. Following completion of its policy development work for freight, Infrastructure Australia will focus on the 'moving people' agenda through an integrated national transport strategy.

Superannuation

There is a strong synergy between superannuation and infrastructure. Both are investments in the nation's future economic prosperity. Attracting investment from superannuation funds into Australian infrastructure provides a unique opportunity to take advantage of this synergy.

As infrastructure costs continue to rise and the ability of governments to fund infrastructure through traditional funding mechanisms is increasingly constrained, ownership of public assets can be fully or partially retained by Australian workers, producing stable returns through their retirement savings.

Superannuation funds currently invest around 3 per cent in infrastructure, a mere fraction of Australia's major savings pool. Infrastructure Australia has commenced discussions with the superannuation industry to better understand the barriers to investing directly in Australian infrastructure, with a view to developing opportunities to attract more investment in Australian infrastructure and unlocking capital in existing assets. Work on this issue will continue in 2010–11.

Congestion pricing

Traffic congestion undermines the productivity, liveability and sustainability of Australia's capital cities. As Australia develops its future infrastructure priorities and strategies, transport reform and investment initiatives must deliver practical solutions to reduce congestion in our cities.

As part of this solution, Infrastructure Australia is investigating the role that congestion pricing might play in allowing more informed travel decisions to be made and encouraging changes to road use behaviour. Charging more directly for congestion has the potential to produce more efficient road use. Recommendations will be made during 2010–11.

CHAPTER 6