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Infrastructure Investment Reform

ESA 2024 CBA Forum

Coralie Williams
Director Project Advisory & Evaluation, Infrastructure Australia
Coralie.Williams@infrastructureaustralia.gov.au

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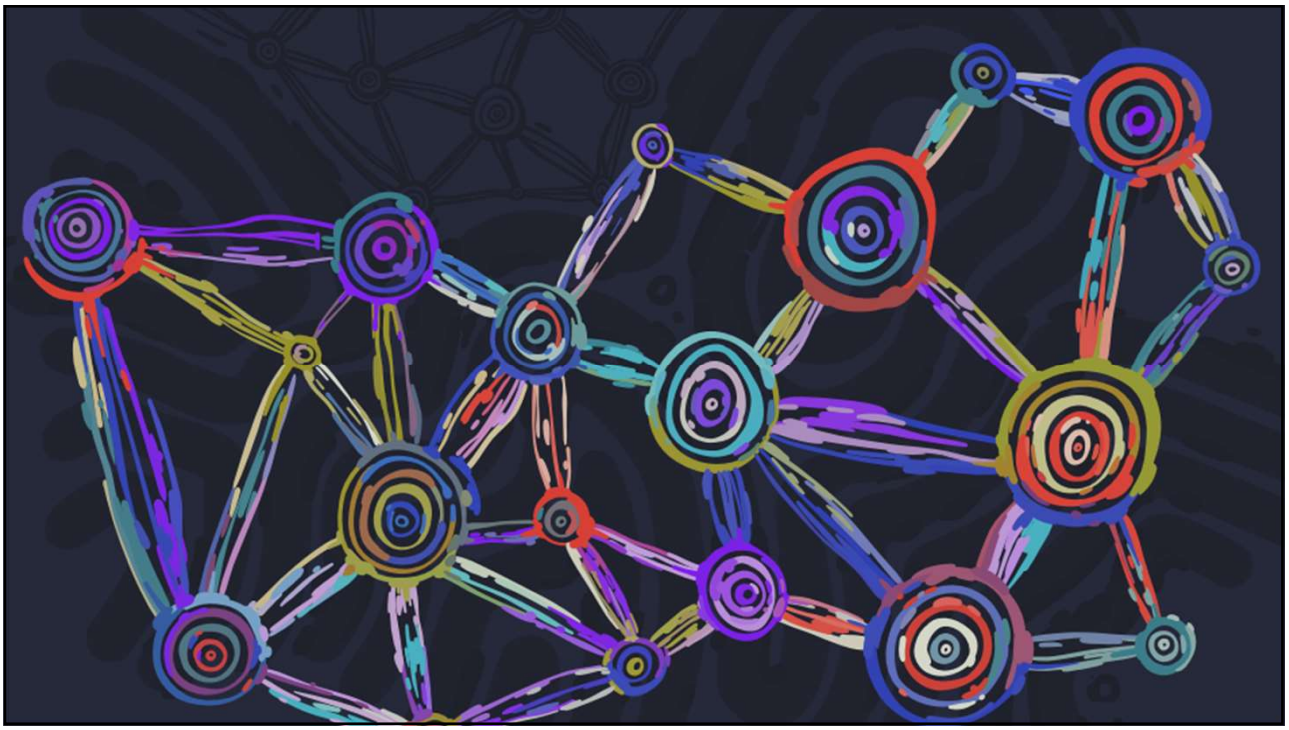

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Who is Infrastructure Australia?

- Independent infrastructure advisor to the Australian Government
- Assess projects of national significance or where a proponent is seeking Commonwealth funding of $250 million or more
- Analyse data and conduct research to support better decision-making, planning, and prioritisation for the infrastructure sector
- Mandate recently strengthened following the passing of the *Infrastructure Australia Amendment (Independent Review) Act 2023*

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Reforming Infrastructure Australia

- Developing a new National Planning and Assessment Framework
- Now responsible for creating Annual Statements as part of the budget cycle
- Will now undertake Post Completion Reviews of significant projects each year
- Must account for the country's emissions reduction targets in our work program – *more detail on this after morning tea in the Environment break-out session (Stream A)*
- Creating a refined and targeted Infrastructure Priority List (IPL) – a list of infrastructure investment opportunities for the Australian Government

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Reformed IPL | Moving away from 'infrastructure needs' to 'investment opportunities'

Sustainability

Safety

Liveability

Resilience

Productivity

The reformed IPL will reflect the **highest priority infrastructure investment opportunities** for Government

- Proposals that will significantly impact our **regions**
- Proposals that are **critical enablers** of **energy transition** objectives
- Proposals that are **critical enablers** of **housing policy** objectives
- Proposals that will materially benefit **First Nations peoples and communities**
- Proposals that are a key component of a **priority program of works**

Each edition of the IPL will be used to **inform investment decisions** in the subsequent **Australian Government Budget process**

Energy

Water

Telecoms

Transport

Social

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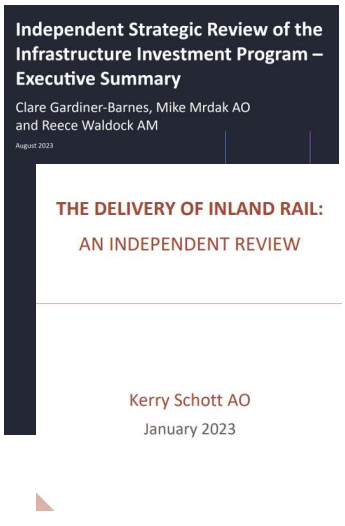
A shift in focus | Review and prioritise



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Key infrastructure challenges| Growing scale and complexity of infrastructure investments

Victoria is investing in many more megaprojects compared to nine years ago

Average annual spending in South Australia over the next four years is 33% higher than the last two decades

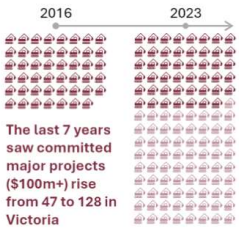
69%

of the NSW state infrastructure program (by value) being spent on megaprojects ($1bn+) in 2021

41%

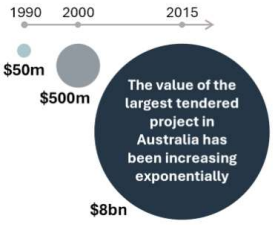
increase in the average cost of major projects ($100m+) in Victoria since 2014

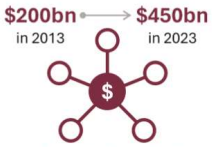
Booming capital spending



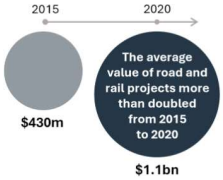
The last 7 years saw committed major projects ($100m+) rise from 47 to 128 in Victoria

Increasing megaprojects





surging capital spending has more than doubled the value of the NSW asset base in 10 years



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Recommendations | Government should prioritise investments that progress broader national goals and objectives

Prioritise investment in **project planning, development and business case proposals** to support a **sustainable pipeline**

Prioritise proposals focused on **better utilisation, maintenance and renewal of existing infrastructure assets** alongside potential new investments to ensure a more **sustainable investment mix**

Prioritise proposals that support **decarbonisation and the circular economy**

Prioritise **place-based infrastructure planning proposals**

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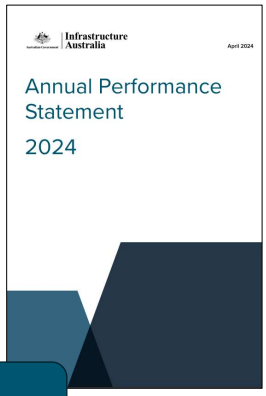
Outcomes & performance | $120 billion Infrastructure Investment Program (land transport projects)



Program objectives:

- Support economic growth, make travel safer, increase transport access and support regional development
- Increase the efficiency, productivity, sustainability and safety of Australia's land transport infrastructure through programs and policy to improve connectivity for communities and freight

Priority outcomes:

Productivity & Resilience | Liveability | Sustainability

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Outcomes & performance | Projects demonstrate a positive economic return

IA assessment criteria:

Strategic Fit – is there a clear rationale for the proposal?

Societal Impact – what is the proposal's value to society, the environment and the economy?

Deliverability – can the proposal be delivered successfully?

IIP is expected to deliver **economic value**

$1.17 economic return for each **$1 nationally**

Rail + Public Transport projects have lower economic returns but **higher liveability and sustainability** benefits than **road projects**

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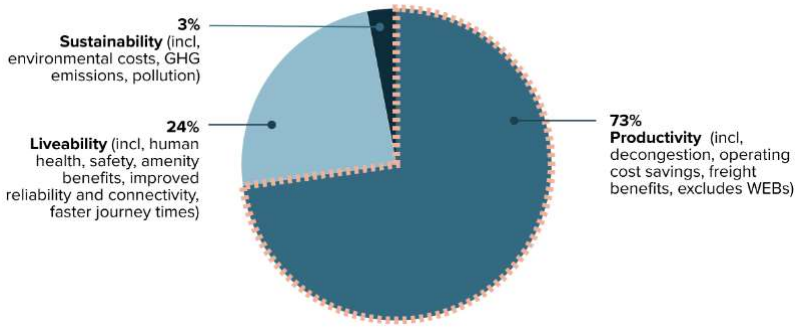
Outcomes & performance | Productivity comprises almost three quarters of project benefits



Improving the consideration of sustainability benefits in business cases needs urgent attention

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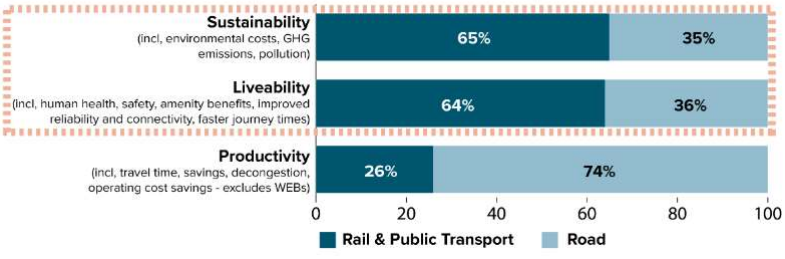
Outcomes & performance | Rail and Public Transport projects demonstrate higher liveability and sustainability benefits



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Opportunities for reform | Business case trends and insights

- Project scopes are increasing
- Lack of strategic planning
- Inconsistent assessment of sustainability and resilience
- Business cases do not assess alternative options
- Disruption impacts not included in business cases
- Lack of rigour in economic analysis

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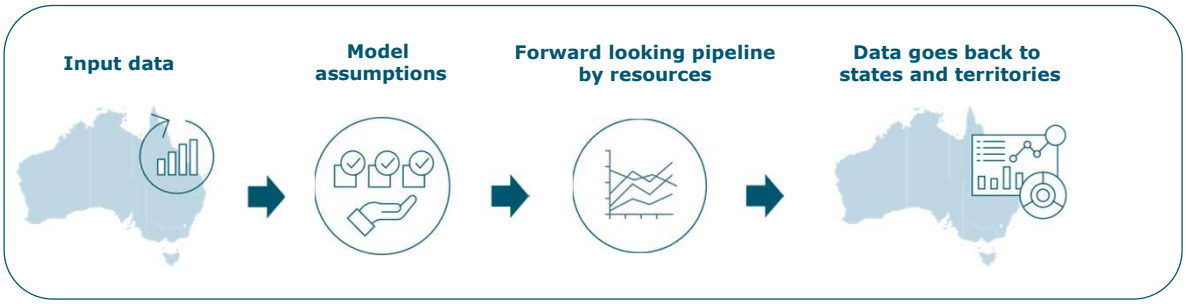
Market Capacity | A national view of demand and supply



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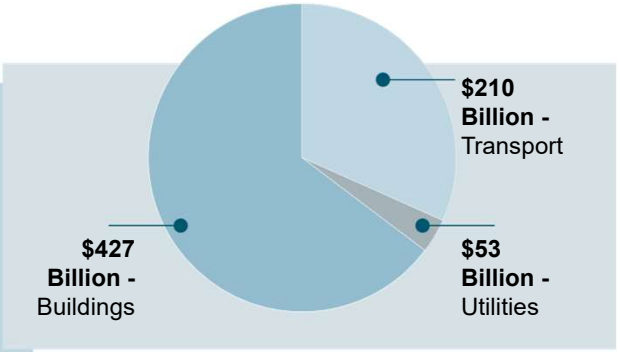
Insights | Australia's Infrastructure Pipeline

Australia's infrastructure and building pipeline is now valued at

$691 Billion



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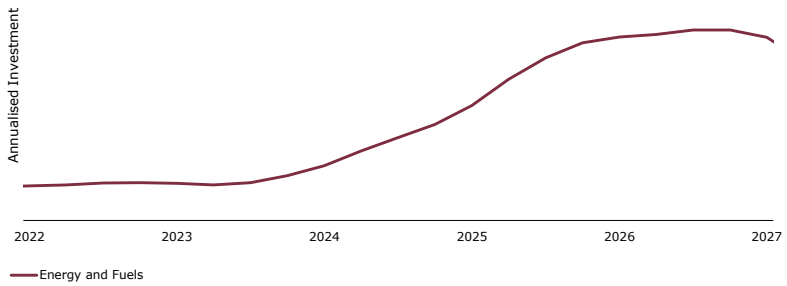
Insights | Energy construction in the next 4 years is expected to be 400% higher than the previous 4 years



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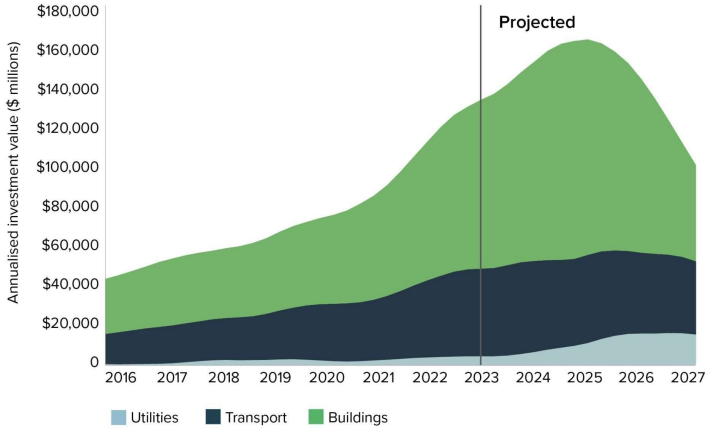
Insights | Comparison across sectors



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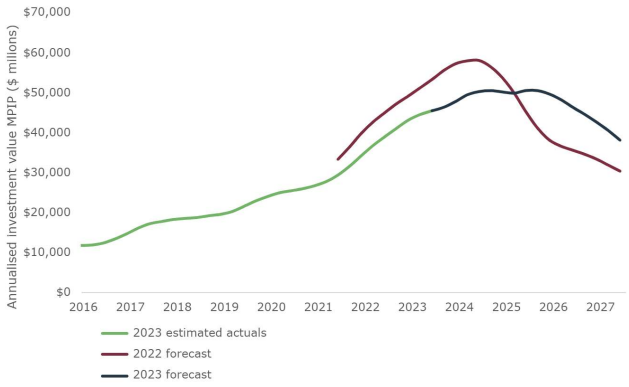
Insights | Major Public Infrastructure Pipeline – demand is smoothing out into later years



2023 Infrastructure Market Capacity Report.

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Insights | Supply constraints

- Labour demands continue to be a key constraint accounting for **50 per cent** of project expenditure
- Female representation in the workforce is **14 per cent**
- Skills shortage of **more than 225,000** – engineers and scientists are the largest occupational shortage
- Productivity remains stagnant – **30-year low**
- Reliance on imported steel – up **20 per cent** over the past two years compared to the previous 20 years

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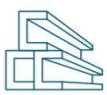
Recommendations | Taking a coordinated approach to overcome sector issues

We have provided **14 recommendations** for the Australian Government to act in partnership with state and territory governments to improve the demand-supply balance and ultimately the long-term sustainability of the construction sector.

They are grouped into four areas:

Continued proactive demand management



Boost materials supply

Boost workforce supply

Improve construction productivity

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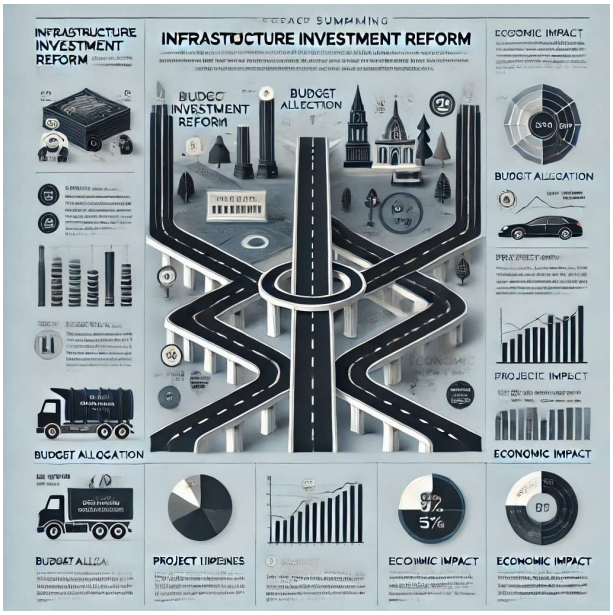
… What next?

… AI says:



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