

## AUSTRALIAN INFRASTRUCTURE DECISION MAKERS SHOW QUALIFIED OPTIMISM ABOUT THE SECTOR'S DIRECTION

UNDER MEDIA EMBARGO UNTIL 600am 13 AUGUST 2014

### Survey of Attendees at SMART Infrastructure Facility's Second Annual Infrastructure Business and Policy Dialogue

Conducted in August 2014

Australian infrastructure decision makers have a strong appetite for a long term, coordinated pipeline of projects and have a qualified optimism about the sector's overall outlook. These are among the main findings of a snapshot survey conducted for SMART Infrastructure Facility at the University of Wollongong.

Survey respondents identified a range of issues that would increase the attractiveness of Australia as an infrastructure investment destination including more certainty around the pipeline, more realistic risk allocation and more consistent project selection methodology.

The snapshot online survey of 50 attendees at SMART's 2nd Annual Infrastructure Business & Policy Dialogue was undertaken by Newgate Research during early August in advance of the event being attended by many of Australia's top participants in the infrastructure sector. Respondents included project financiers, institutional investors, constructors, public administrators and other sector leaders.

The purpose of the survey was to gain a picture of sector perceptions leading into the symposium, which has as its theme, *Getting More Value for Taxpayers' Dollars*.

#### HEADLINE SENTIMENT

Most survey respondents (54%) felt Australia's attractiveness to design, fund, build and operate infrastructure would improve over the 12 months, compared with 20% that expected no change and 18% that expected deteriorating conditions.

#### INTERNATIONAL COMPARISONS

Asked to rate Australia's performance in planning and delivering infrastructure right now, respondents placed Australia (25%) in the top five internationally for planning and delivering infrastructure but well behind Singapore (42%), the United Kingdom (38%) and Canada (26%) and ahead of South Korea (19%). Major reasons why these nations were identified included the presence of long term integrated and coordinated planning, clear objectives and attractive funding models.

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## NATIONAL PERCEPTIONS

The Commonwealth was seen by most as playing a useful role (52%) in Australia's infrastructure performance and complementing the role of the States. Respondents nonetheless still said (50%) it would be beneficial to the infrastructure outlook for the States to be more fiscally independent. In total, these comments appear to accept the overall balance of roles and responsibilities within the federation. Among the States, NSW was seen as having the strongest pipeline of future projects but Victoria was acknowledged as having the edge in working with the private sector. No jurisdictions scored strongly on reducing 'red tape' and 'green tape' involved in planning and environmental approvals, suggesting there is more work to do in this area.

## KEY INVESTOR ISSUES

Participants were keenly focused on the project pipeline indicating a strong appetite for more opportunities from government:

The factors most important in influencing Australia's attractiveness for infrastructure over the next 12 months were seen as being the number of projects on offer (52%) and the overall economic outlook (48%). A wide range of other issues were raised including the high cost of labour, capacity and quality of people, technology, regulatory policy, funding, international interest and public sector coordination.

The two factors seen as most critical to successful private investment in infrastructure were a long term pipeline of projects (42%) and consistent project selection methodologies (42%).

Asked what initiatives governments could undertake to improve attractiveness of infrastructure projects that come to market, the top three were: greater certainty about the future project pipeline (38%), a more realistic risk allocation (36%) and setting clearer objectives for a project (32%).

## RATING RECENT PROJECTS

Some interesting insights arose when participants when asked to reflect on major infrastructure planning and delivery projects they had been personally involved with in the previous year. The major success points identified were achieving customer service outcomes (44%) and minimising operational expenditure (42%). However participants did not feel there had been sufficient focus on improving existing infrastructure first (68%) or whole of government coordination and planning (58%). Half of respondents disagreed there had been enough consideration of the views of long term investors such as pension and super funds while others were not convinced there had been enough focus on ensuring political risk perceptions did not affect project delivery.

## CONVERSATION POINTS

Among the major themes symposium participants were looking forward to discussing on Wednesday at the Dialogue were:

- Identifying and prioritising infrastructure needs
- Allocation of funding
- Reducing costs
- Striking the right balance between cost and benefits
- Having a collaborative and coordinated approach across governments
- Looking at the bigger picture / longer term

## CONCLUSIONS

SMART CEO Garry Bowditch said the results suggested that the public sector and industry were getting closer to consensus on the key issues but sharing risk and confidence around project selection remained on the agenda.

"This is an interesting snapshot of opinion within the infrastructure sector that should provide encouragement that all sides of the debate are well engaged with the issues and looking for solutions," Mr Bowditch said.

"The good news is that there is a very high level of interest in being part of the Australian infrastructure market. The survey results show people are looking for a big pipeline of projects to deliver and welcome moves by governments to spell out priorities and schedules. The caveat is that it needs to be a reliable pipeline based on clear methodology and project objectives.

"There have been some significant efforts by governments to address these issues in recent times, with agencies created to manage infrastructure planning and get the project selection right. This is to be applauded but there is some way to go based on these results.

"It seems Australian governments will have no trouble finding private sector partners who want to work with them. The challenge will be in planning for an orderly pipeline that avoid bottlenecks and ensure best use of available funding."

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