

Infrastructure Priorities

The Property Council welcomes the establishment of Infrastructure Australia and the Commonwealth's Building Australia Fund (BAF).

Substantial progress has been achieved in the past twelve months, following the establishment of a national infrastructure advisory body and a major new funding pathway.

Project delivery should be a priority in 2009 and 2010, leveraging funding from BAF in partnership with state governments and the private sector.

Infrastructure Australia should also continue its work to secure governance reforms; key among these is integrating land use and infrastructure planning.

Infrastructure Australia

In its first year, Infrastructure Australia (IA) has developed a robust methodology for assessing and prioritising infrastructure projects Australia-wide.

The Property Council supports the triple bottom line methodology it employs.

This process largely mirrors a similar multi-criteria analysis framework developed for the Property Council by the Centre for International Economics (CIE), and provided to IA previously.

IA has also released guidelines to facilitate national uniformity for Public Private Partnership (PPP) arrangements, which we strongly support.

Infrastructure Australia's interim report to COAG (released December 2008) identifies a list of 94 infrastructure projects for further analysis.

The Property Council has submitted infrastructure investment priority lists to IA, and will continue to review these lists.

The Property Council also welcomes IA's recognition of the need for better metropolitan governance, in particular integrated land use and infrastructure planning.

We endorse IA's comment that:

The Voice of Leadership

"Many of the underlying difficulties in meeting Australia's infrastructure challenges can be attributed to governance issues that span infrastructure planning, policy, regulation, financing, procurement and management."¹

We also strongly endorse IA's recommendation that:

"Planning for infrastructure in Australian cities needs to be fully integrated with city land use planning to manage forecast population growth and facilitate economic activities."²

The Commonwealth should tie **financial assistance (or project funding) to governments achieving agreed, common objectives (or KPIs)**.

IA should work closely with the Major Cities Unit to **develop and implement community capacity building KPIs**.

Building Australia Fund

The Building Australia Fund (BAF) represents a substantial investment by the Commonwealth in nation building.

Although allocated less than the original announcement of \$20 billion, the BAF represents a significant and welcome injection to secure Australia's future infrastructure needs.

The BAF should continue to receive funding from future Commonwealth budget surpluses of at least **\$5 billion per annum** until an optimal allocation based on long-term economic and community capacity building needs is determined.

Significantly, the BAF cannot address infrastructure shortfalls alone – State and local governments must also increase their infrastructure funding commensurately.

More use should be made of PPPs and innovative funding mechanisms to accelerate the delivery of key infrastructure projects.

The Property Council commissioned research by PricewaterhouseCoopers into tax increment financing (TIF) techniques employed successfully in the United States and Europe.

TIFs involve appropriating increases in tax revenue arising from an investment in infrastructure to amortise the cost of providing infrastructure.

TIFs draw on the financial dividend that infrastructure delivers over time to help fund up front costs. There are no additional taxes.

¹ A Report to COAG, Infrastructure Australia (December, 2008), p12

² Ibid., p42

Infrastructure Priorities – Recommendations:

Infrastructure Australia

- First:** Publicly release **IA’s Priority List** due for completion in March 2009.
- Second:** Update, through public consultation, and **release IA’s Priority List every two years** to maintain a pipeline of projects.
- Third:** **Deliver better governance** by making financial support contingent on the achievement of community capacity building KPIs.
- Fourth:** **Fund the delivery of a program of infrastructure priorities** in partnership with state governments and the private sector.
- Fifth:** **Tie the work of Infrastructure Australia to an urban renewal program** in conjunction with the Major Cities Unit.

Building Australia Fund

- Sixth:** Provide a minimum **\$5 billion injection of funds annually** to the Building Australia Fund
- Seventh:** **Use PPPs and other innovative funding mechanisms** to accelerate the delivery of infrastructure projects.

Sources:

A Report to COAG, Infrastructure Australia (December, 2008)

Tax Increment Financing to Fund Infrastructure in Australia, PricewaterhouseCoopers (2008, forthcoming)

Australia’s Future Infrastructure Requirements, Property Council of Australia submission to Infrastructure Australia (2008)

Australia’s Infrastructure Priorities: Securing Our Prosperity, Infrastructure Partnerships Australia (2007)

Funding Urban Public Infrastructure, Allen Consulting Group (2003)

Recapitalising Australia’s Cities, Allen Consulting Group (2002)