

AUSTRALIAN INFRASTRUCTURE – THE CHALLENGES TO 2031

Date: 11 August 2015

Australia Energy & Infrastructure Projects and Transactions Alert

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Released in May 2015 by Infrastructure Australia, the Australian Infrastructure Audit examines our asset base and sets out the needs and challenges facing the Australian infrastructure sector and its participants over the next 15 years. Submissions in response to the Audit are due by 14 August 2015. A copy of the Audit can be found [here](#).

Following submissions, Infrastructure Australia will report to the Commonwealth Government by the end of the year and those findings will be the key input into the preparation of the Australian Infrastructure Plan.

SOME NOTEWORTHY FINDINGS OF THE AUDIT INCLUDE:

- Population and economic growth will drive a significant rise in demand for infrastructure services. With Australia's population projected to grow from 22.3 million in 2011 to 30.5 million in 2031 and the Australian economy expected to grow by 84% over that time, the demands on our road space, public transport capacity, freight capacity and trade networks will increase considerably.
- The infrastructure sectors projected to grow faster than trend GDP are transport, airports telecommunications, gas pipelines and ports: particularly, container terminal port infrastructure and bulk terminal infrastructure. Such growth will significantly exceed current capacity. For example, container movements through Australian ports are projected to grow by 165% to 2031 and the freight task is projected to increase by 85% over that period. While much of this freight task will be performed by road transport, demand for freight rail infrastructure is projected to grow in particular for resource bulk commodity haulage in Western Australia, Queensland and New South Wales and perform a growing role in the movement of goods between ports and inland freight terminals.
- International and local evidence shows that rigorous project selection and regular infrastructure investment is key to both boosting economic activity and supporting productivity growth. Conversely, investment in poorly conceived projects can undermine a country's economic prospects.
- In several areas, Australia's infrastructure performance compares poorly with a number of comparable OECD countries (20th out of 144 countries ranked by the World Economic Forum). Improvements in long term infrastructure planning, project appraisal and project selection are necessary if Australia's expectations are to be realised.
- Inefficient and inconsistent regulations have had adverse outcomes for infrastructure participants. Almost all infrastructure sectors are subject to sector-specific regulations which are inconsistent between the sectors and jurisdictions (eg there are three national market regulators of the energy sector while services are delivered by a mix of state-owned and private businesses).

- The current level of public sector expenditure will be unsustainable in the face of increasing budget pressures. An increasing reliance on cost-reflective pricing and other avenues of facilitating private investment, including privatisations, will be an important strategy in meeting future infrastructure needs.
- Skills shortages and inefficient governmental procurement processes for new infrastructure drive up the costs and timing of infrastructure delivery. These can be improved by developing an observable and stable pipeline of infrastructure projects to act as a catalyst for skills development and recruitment, and optimally allocating financial and human resources to bid for the work involved.

In all, the Audit makes 81 key findings on a range of issues, and highlights ten key challenges that Australia will face by sector, in the near future. It invites stakeholders to respond to these issues and to identify what infrastructure solutions are a priority for the next five to 15 years and beyond.

The demands on Australian infrastructure over the next 15 years will be immense but if such demands are met, the next generation of infrastructure upgrades and greenfield developments will buttress and promote ongoing Australian economic prosperity.

Please contact us if you would like assistance making any submissions in response to the Audit. We will keep you informed of the report by Infrastructure Australia to the Commonwealth Government later this year and the subsequent Australian Infrastructure Plan.

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