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AGM REPORT  
14 SEPTEMBER 2017



INFRASTRUCTURE  
ASSOCIATION  
OF QUEENSLAND

# CHAIRMAN'S REPORT

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Calendar year 2017 has been a busy and successful year for the IAQ with substantial progress made in our four priority areas - Process, Project Pipeline, Private Sector Engagement and Industry Advocate. Reflecting the IAQ Board's strategic focus, we have shifted gears and are actively leading industry thought leadership and policy debate.

Success for the IAQ is to be the leader in helping governments, business and communities mature their relationships into a trustful collaborative model.

This year we identified a number of initiatives with key stakeholders and have successfully progressed this aim. Key examples include:

- DILGP SIP Industry Stakeholders working group
- DILGP community reference group
- BCC Brisbane Metro Industry Consultation
- Qld Treasury MLP industry consultation
- JWS Research project into community views on infrastructure funding
- BQ industry reference group
- Major Projects Pipeline Report
- BCC City Deals & Innovative projects
- Next Generation Engagement Project

The taskforces have become the bedrock of our contribution. We have participated – and in some cases led - government initiated think tanks on Market-led proposals, Building Queensland's new project assessment frameworks and DILGP's new State Infrastructure Plan industry portal. The newly formed Digital Taskforce will increase value to our existing members and is already attracting new members. The infrastructure industry is lagging behind in technology take up and the IAQ can play vital role in accelerating industry sophistication.

I wish to thank our current and past Taskforce Chairs for their leadership and drive in gaining wider membership participation.

I am particularly proud of the creation of EPIQ our emerging leaders program and the calibre of the group. Through their expertise and fresh thinking, they are bringing new perspectives to infrastructure challenges and will have a profoundly positively impact.

Our Marketing, Events and Communications Sub-Committee have been instrumental in increasing our media profile, improving communications to our broad member base and facilitating an excellent events program. Attracting quality speakers contributes great insight to industry debate and is a highlight for our members. Critically, improved event attendance is a vital source of revenue to be invested back into important projects to benefit our members and the health of the industry.

In 2018, there will be an increase to membership fees recognising the increased value the IAQ is providing to members through our thought leadership, increased media and government engagement for the betterment of the industry and access to high quality speakers in a range of event options. We will continue to strive to deliver first class member services and value-for-money.

The success of the IAQ remains dependent on the efforts of each of its members and their participation levels. The Board members contribute valuable time to advance the industry's interests and are passionate about it, and so I thank all our active Board members for their efforts over the year.

I wish to thank Steve Abson, our CEO for his hard work and the value he is bringing to the IAQ; the Executive members for steering the IAQ and its functions in a professional manner; and Kim Ellis who is truly the engine room of the IAQ. Thank you for all of your enthusiasm, commitment, hard work and the support you have provided to me personally.

I have thoroughly enjoyed my time as Chair, working with the Board, the wider membership and our key stakeholders for the advancement of the industry. Thank you for the privilege over the past two years. I look forward to working with our newly elected Chair as we continue IAQ's success.

# CEO'S REPORT

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## Strategic Priorities

- We have made steady progress in our strategic priorities in the business plan, all are on track
- Starting to see IAQ taking a more natural leadership role with government
- Improved revenue from events and speakers, e.g. Adani and Cross River Rail
- Our taskforces and sub-committees are active
- Strong membership events program

## Business Plan Implementation

### Highlights:

- We are working with DILPG - Industry Working Party
- We are involved in providing input into the Operational Review of Building Queensland
- We developed a new Major Projects Pipeline in partnership with EA and CA
- We have accessed the full range of Infrastructure Pipelines

### Engagement:

- We invested with IPA and PCA with the Infrastructure Funding Research Project
- We engaged with the Next Generation Engagement Project
- We engaged with QUT

### Industry Advocate:

- Increased print and radio activity

### Member Services:

- Introduced regular member updates
- Website improvements have been made
- Comprehensive events program – first event in Townsville
- Improved annual Infrastructure Summit
- Annual Year Book had record number of articles and an improved publication process
- EPIQ initiative was introduced and is proving popular

## Breakfast Events

This table is a summary of all major breakfast events held since the last AGM.

Date	Speaker(s)	Topic
7 March 2017	Hon. Mark Bailey	Renewable Energy
23 March 2017	Frankie Carroll, DILGP & Adrian Hart, BIS Oxfords	Major Projects Pipeline Report Launch with QMCA and CSQ
28 April 2017	Daniel Gschwind, CEO Qld Tourism Industry Council	Meeting the demands of the Tourism Infrastructure Pipeline
8 June 2017	Jeyakumar Janakara, CEO Adani	Adani gets the green light
20 July 2017	Senator Matthew Canavan	The vision for Northern Queensland Infrastructure
28 July 2017	Graeme Newman, CEO CRR & Frankie Carroll, DILGP	State Infrastructure Plan update and Cross River Rail

## Boardroom Breakfast Events

This table is a summary of all major breakfast events held since the last AGM.

Date	Speaker(s)	Topic
9 Dec 2016	Laurie Walker and Peter Ross	NAIF briefing
21 Feb 2017	Michael Schaumburg	Commonwealth Games Infrastructure
30 March 2017	Phil Davies	Infrastructure Australia
4 May 2017	Damian Gould	Building Queensland
10 August 2017	Rod Simms, ACCC	Perspectives on Asset Recycling in Australia
8 Sept 2017	Warwick Agnew and Joanne Paterson, Qld Treasury	Market-Let Proposals

## Other Events

Date	Event
29 March 2017	EPIQ Think Tank Launch with Phil Davies
2 June 2017	Boardroom Lunch with The Hon. Jackie Trad MP, Deputy Premier
29 August 2017	3 <sup>rd</sup> annual Queensland Infrastructure Summit

## Membership Status

- Total Financial members 2017 to date: 70 (*12 more than this time last year*)
- Confirmed Memberships lapsed in 2017: 6
  - MWH
  - Aquentia (merged with Jacobs)
  - Westpac
  - Fugro Spatial Solutions
  - Ferrovial
  - Auric Group International
- New members acquired in 2017
  - McConnell Dowell
  - Monadelphous
  - Baker McKenzie
  - Queensland Health (Capital Infrastructure Delivery Unit)
  - Infrastructure Transaction Network
  - RACQ
  - GHD
  - J&P Richardson Industries
  - Transurban
  - RedEye
  - Autodesk
  - WWD Capital
  - A.Gabrielli Constructions
  - Bechtel
  - Destination Brisbane Consortium
  - Holcim (Humes)
  - BGC Contracting

## Media Coverage

- Courier Mail:
  - 'Road, not rail the way to go'(May 27, 2017)
  - 'NSW kicking goals against QLD'(May 27, 2017)
  - 'Queensland Infrastructure: Two-thirds say politicians not doing enough'(23 May, 2017)
  - 'Opinion: Queensland must start Cross River Rail with or without Commonwealth- by Steve Abson'(23 May, 2017)
  - 'Funding shortfall to stall infrastructure' (20 February, 2017)
  - 'Infrastructure dithering costs Queensland \$1m a day in economic benefits' (November 14, 2016)
- The Australian:
  - 'Support growing for asset sales to fund infrastructure' (August 7, 2017)
- Brisbane Times:
  - 'Queensland poll paints bleak infrastructure picture' (23 May, 2017)
  - 'Put infrastructure ahead of votes- Opinion piece by Steve Abson' (28 February, 2017)
  - 'Federal Election 2016: Queensland 'finds'\$800 million for Cross River' (28 June, 2016)
- Australian Financial Review:
  - 'Need to solve Inland Rail's 'missing link' says Port of Brisbane' (19 May, 2017)
- Townsville Bulletin:
  - "Big Future for City on Move" Pg 1 (29 August, 2017)
  - 'Big Future for City on Move" Pg 2 (29 August, 2017)
  - 'Growth on the menu at Brekkie' (7 July, 2017)
- The Gladstone Observer:
  - 'Port upgrade listed as an infrastructure priority' (18 February, 2016)
- The Government News:
  - 'Cross River Rail: just build it' (24 August, 2017)

## Media Releases

- 24 August 2017 – 'Cross River Rail Business Case Released – now get on and build it.'
- 8 August 2017 – 'Queenslanders 'not scared' of asset recycling – terrified of bad infrastructure, taxes and debt' joint release with IPA
- 13 June 2017 – 'Queensland Governments commitment to fully fund and deliver Cross River Rail'
- 2 June 2017 – 'What Queenslanders want' joint release with IPA and PCA

# SETTING OUR STRATEGIC AGENDA FOR 2018

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## IAQ Objectives

The objectives of the IAQ are to:

- Be a peak industry body which is representative of private sector participants in the lifecycle of public infrastructure and to provide positive interaction Government in pursuit of these objects;
- Engage with Government and the community on the continuing need for expansion and enhancement of public infrastructure as an essential platform for Queensland's economic and social development;
- Engage with members, Government, industry and the community to promote and maximise private sector involvement in public infrastructure in Queensland;
- Consult with Government in relation to its guidelines and policies on private sector involvement in the provision of public infrastructure in Queensland;
- Provide a forum for the dissemination to and promotion of developments relating to public infrastructure amongst members, Government, industry and the community; and
- Facilitate networking amongst industry participants.

## Strategic Priorities

Purpose & Intent:

- The Economic Enabler
- The trusted industry partner of government & infrastructure proponents in Queensland.
- Bringing together the capability of major infrastructure companies, harnessing their collective skills to enable economic growth.

Value Proposition:

- The Infrastructure Association of Queensland (IAQ) is the peak body representing the entire infrastructure sector across Queensland. As a member organisation, IAQ provides professional representation and value to our members through government engagement, thought leadership and advocacy that supports a sustainable infrastructure industry in Queensland.
- The four strategic themes to continue into 2018 are:



FOUR STRATEGIC PRIORITIES	
Theme	Key Objectives
Process	To engage about the opportunities for continuous improvement in Government's policies and processes relating to the development and delivery of Infrastructure.
Pipeline	To engage about the importance and enablement of a clearly identifiable and realistic pipeline for infrastructure projects.
Private Sector Engagement	To engage about the benefits and opportunities of private sector involvement in the analysis, development, delivery and operation of infrastructure to offer value for money for all Queenslanders.
Industry Advocate	To further establish the IAQ as the leading industry advocate for the provision of infrastructure in Queensland.

**Our 3 Year Plan 2016-2019** (Plan-on-a-Page) provides 5 key milestones to measure the success of our progress in these priorities. These are:

- Be pivotal in at least one significant government reform, considered to be a 'game changer' in improving infrastructure investment and/or delivery in Queensland.
- Ensure that government commits to deliver a published pipeline of funded & committed infrastructure projects, updated at least annually.
- Research, investigate and communicate world leading practices applicable to the Queensland infrastructure sector. Be recognised by our members as a thought leader & innovator.
- Be recognised by the Private Sector as instrumental in working with government to create the optimum environment for investment & delivery of major infrastructure.
- Revenue generation that allows regular re-investment into industry leading initiatives that advance our priorities

## Queensland's Infrastructure landscape in 2018

The social and economic benefits of infrastructure development remain high on the newly elected Queensland Labour Government's agenda for 2018, their ability to deliver is remains seriously constrained by the fiscal reality.

At the political level between the Commonwealth elected representatives and the Queensland elected representatives there is not alignment on the infrastructure priorities and this is impacting decisions on priority projects and funding.

Queensland state Budget, outlined marginally improved spending of \$42.75 billion over four years for infrastructure projects. However, this year's capital works budget is at circa \$8.6 billion (excluding capital grants expenses), less than last year's budget forecast for this year.

Forecasting only a marginal operating surplus of \$146 million, bolstered by improved royalties, the 2017-2018 Budget continues to underscore the challenges facing the State in funding its priority infrastructure.

A welcome budget centre-piece, the State has announced its number one priority project, the \$5.4 billion Cross River Rail, is now fully funded - receiving a further \$1.95 billion injection over the forward estimates.

The Queensland government intends to fund Cross River Rail without Commonwealth funding support, core components of Cross River Rail will be delivered through a Public Private Partnership (PPP) and an Alliance.

Reflecting fiscal constraints, this year's Budget provides only a modest boost to the State's forward infrastructure program. Rejecting the 'good debt' mantra of the Commonwealth, the state's capital program is kept to a size where it is primarily funded through recurrent cash flow, rather than any borrowing. So other than the Cross River Rail announcement, it's difficult to find any real 'new' infrastructure announcements within the budget papers.

Interestingly, the work of the new Infrastructure Portfolio Office (IPO) is now paying off and its good work is reflected in the Budget and forward estimates, improving the predictability of infrastructure expenditure. The budget papers describe "project expenditure re-profiling" and what's interesting here is that this exercise seems has reduced the expected cost of planned and current projects, providing 'headroom' to fit-in Cross River Rail, without increasing overall expenditure.

Pro-active engineering of the capital program is good for industry, particularly as more accurate project cost predictions increases government confidence to fund more projects.

2017-2018 Capital Program Overview – total \$8.607 billion

<b>Asset Class</b>	<b>Expenditure</b>
Transport	\$3,885
Education and Training	\$605
Energy & Water	\$2,063
Health, housing & community services	\$916
Law, order & public safety	\$479
Other	\$660

The 2017-2018 % age expenditure per asset class remains almost identical to the 2016-2017 budget.

At \$3.885 billion (41%), the Transport and Main Roads capital portfolio represents the largest asset class. The budget continues funding for a number of previously announced projects, including payments for the Toowoomba Second Range Crossing Public Private Partnership ((\$252 million), Gateway Upgrade North (\$236 million), Warrego Highway packages (\$126 million), Bruce Highway Caloundra Road (\$120 million), Mackay Ring Road (\$70 million) and other projects currently underway.

The New Generation Rollingstock (\$407 million) constitutes ongoing major expenditure and the European Train Control System (\$27 million) begins to lay the foundation for the delivery of Cross River Rail and will improve rail capacity and safety in the inner city rail network.

Second to Transport Infrastructure is Energy & Water Supply infrastructure, which at \$2.063 billion, represents 22% of the budget year capital purchases. Primary expenditure in this asset class relates to Energy Transmission and Distribution through the Government Owned Corporation Energy Queensland.

In short, only a modest amount has been earmarked for the capital works needed to satisfy the state populace's continuing demand for new priority infrastructure.

The 1,700km Inland Rail line is the largest freight rail infrastructure project in Australia. Early works started in 2017, and based on the 10-year delivery schedule developed in 2015, the first train is expected to operate in 2024-25.

The Australian Government, through the Australian Rail Track Corporation (ARTC), is delivering the multi-billion-dollar infrastructure in partnership with the private sector. The Government has committed \$8.4 billion to deliver Inland Rail,

on top of the previously funded \$900 million. A large proportion of this expenditure is in Queensland and a PPP arrangement is being sought for the technically challenging Toowoomba Range Crossing.

The Adani Carmichael coal project continues to be delayed by funding and environmental issues.

## Public & Private Sector Funding of Infrastructure

In the last 30 years up until 2009, public and private sector funded infrastructure has traditionally been circa 50-50 in Queensland. Between 2009 and 2015 this changed, with private sector funding being much more dominant in this period. In 2016 - post CSG-LNG capital works - we see the funding relationship returning to circa 50-50 at levels close to those that existed in 2006.

The IAQ represents a broad industry base including contractors, infrastructure financiers, consulting engineers and other professional organisations.

Continued depressed market conditions in Queensland mean IAQ members face a range of challenges and opportunities in their businesses in 2017. These include:

- a sustained softening in major construction activity in the mining and coal seam gas industries;
- the absence of a clear pipeline for major Government projects to excite interest or investment;
- competing opportunities in other states incentivising migration of skilled workers away from Queensland;
- Industry consolidations.

Government has stated a greater willingness to engage with the private sector in the delivery and funding of infrastructure. Government policies also place emphasis on the importance of infrastructure to assist economic development.

IAQ welcomes the Government's infrastructure initiatives including:

- Publishing of infrastructure priorities pipeline and business case summaries by Building Queensland
- Establishment of an Infrastructure Portfolio Office (IPO) within DILGP to monitor the capital works program and develop continuity of a 4-year SIP Pipeline.
- Examination of alternative sources of infrastructure funding including release of under-utilised land assets and use of value capture.
- Establishment of a new authority to take carriage of Cross River Rail and the corresponding funding
- Pursuit of Market-led Proposals.

## Delivering in the year ahead – ensuring relevance and value to our members

The board has set in place a 3-year strategic plan 2016-2019 and a Business Plan to respond effectively to the issues faced by our industry. These were reviewed in August 2017 at a mid-year workshop of board members to explore how effectively the IAQ and board operate. We will maintain consistency with IAQ's four strategic themes: Process, Pipeline, Private Investment, and Industry Advocacy.

Major initiatives in 2018 include:

- Creation of the digital taskforce and the continuation of our Funding & Economic Enabling task forces to provide enhanced opportunity for members to participate in the work of the IAQ and to become more closely involved in engagement with key Government policy makers
- Continued support of EPIQ
- Continued support of Industry-led Pipeline with partners QMCA and CSQ – public-private sector project listings >\$50Mn - a first in Queensland and Australia, with a view to being able to monetise the work

- ongoing DILGP consultation on their priority initiatives
- utilising the research in media and government relations to campaign for improved infrastructure funding with peak body partners IPA and PCA
- raising the profile of the organisation, including through a continued focus on IAQ's event program, marketing and communications
- improved member communications and increased membership especially the website and digital presence
- increased member fees
- making the IAQ Queensland Infrastructure Summit the imminent event of our industry in Queensland

## Members' Taskforces

IAQ is an inclusive association, with modest membership fees and commensurate limitations on its ability to maintain employed staff to carry out the work of the organisation. IAQ therefore operates and thrives based on the considerable time and resources devoted by the members voluntarily to the organization.

In 2018, members will be invited to participate in three key taskforces to lead IAQ's strategic engagement on industry issues within each relevant group's terms of reference.

### Infrastructure Funders Taskforce

Participants:

- To be led by members from the banking and finance industry

Terms of reference:

- To lead strategic thinking on infrastructure funding issues and consultation around asset and capital recycling.

### Economic Enabling Taskforce

Participants:

- Open to interested members.

Terms of reference:

- Identify and respond to Queensland capacity constraints and encourage prioritisation of infrastructure that boosts productivity, supports growth and stimulates economic development.

### Digital taskforce

Participants:

- Open to interested members.

Terms of reference:

- To provide strategic and practical leadership around the digitisation of infrastructure in Queensland.

# GOVERNANCE AND OPERATIONS

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## The IAQ Board

The IAQ is an incorporated association under the *Associations Incorporation Act 1981 (Qld)* (Act). It is an industry organisation, run by a management committee of volunteers in accordance with the requirements of the Act and the IAQ's Rules (Rules). Under the Rules, the management committee is referred to and known as the 'IAQ Board' (Board) and is elected annually at a general meeting of the association.

There is no restriction on the maximum size of the Board and any financial member organization may nominate a representative. Board members are expected to represent the broader interests of that member's industry sector and a considerable time commitment is involved.

Members of the Board have various legal responsibilities under the Act and are also expected to participate actively in key decision making processes of the IAQ. As a minimum, Board members are expected to attend regular meetings of the Board and to participate actively in one or more of the various sub-committees and other working groups of the association.

## Officeholders

Pursuant to the Act and the Rules, the Board includes five fixed officeholders appointed annually at a general meeting of the association. These are:

- Chairperson
- Deputy Chairperson
- Immediate Past Chair
- Secretary
- Treasurer

These officeholders have accountability to the Board and the members of the association for the fulfilment of various day to day functions that are important to the effective operation of the association.

## Sub-Committees

The Rules permit the streamlined operation of the IAQ to be assisted through the work of a number of standing sub-committees, appointed by the Board from time to time. Standing sub-committees must be constituted from the Board. The standing sub-committees for 2017-18 will comprise:

- Executive Sub-Committee
- Governance and Risk Sub-Committee
- Membership, Events and Communications Sub-Committee

It is proposed that each sub-committee will have relevant standing delegated authorities from the Board to fulfil its operational terms of reference effectively. A Chair and other sub-committee members for each sub-committee will be appointed by the Board from amongst the members of the Board. The proceedings of each standing sub-committee will generally be informal and flexible, as approved by the Board from time to time, but subject to any specific requirements under the Act or the Rules.

## Executive Support Function

From time to time, the Board may appoint one or more persons from outside the Board to assist it, or to assist one or more of the standing Sub-Committees, in conducting their respective activities (**Executive Support Function**). Currently, the Executive Support Function comprises:

- A 'Chief Executive Officer', who assists the Executive Sub-Committee in conducting its regular activities and participates as an ex officio non-voting invitee to meetings of the Board. The CEO's role is formally recognized in the Rules.
- An 'Executive Assistant' that assists the Secretary, including fulfilling certain statutory responsibilities of the Secretary and the Association and provides support to the CEO.

The scope and role of the Executive Support Function are evaluated and reviewed by the Board periodically having regard to the evolving needs of the Association and any other relevant developments.

## insurance

Pursuant to section 70 of the Act, the Board confirms to members that the IAQ has maintained public liability insurance over the policy period ending 31 October 2017. The Board also confirms that it sees no impediment to renewing our public liability insurance policy for another year.

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