



QUEENSLAND GOVERNMENT RELEASES STATE INFRASTRUCTURE PLAN

After a three-year hiatus, the 2016 State Infrastructure Plan (SIP) is welcomed by the Infrastructure Association of Queensland (IAQ) as an enabler of long-term, strategic planning and investment for critical infrastructure in Queensland. The SIP outlines both the **strategic direction** for the planning, prioritisation, assessment, investment and delivery of critical infrastructure (**Part A**) and a four year **pipeline of priority infrastructure** activities (**Part B**). The IAQ appreciates the extensive consultation process with industry undertaken by government since the release of the draft SIP in October 2015 and their clear consideration of initiatives generated by industry in these forums in the final SIP. We believe consultation and the genuine commitment of government to collaborate with industry can support improved infrastructure outcomes for Queenslanders. The IAQ welcomes any further opportunity to work with government to solve the infrastructure challenges facing the state, including through the Industry Taskforce.

19 KEY IMPLEMENTATION ACTIONS IDENTIFIED BY SIP:

- **Improved infrastructure and land-use planning, coordination and integration** through the creation of an infrastructure portfolio office within Department of Infrastructure, Local Government and Planning (DILGP) to coordinate infrastructure and to integrate regional planning.
- Enhanced **regional planning committees** to oversee alignment of state and local government infrastructure priorities.
- **Review Infrastructure Designation.**
- Establish an **Infrastructure Cabinet Committee** to oversee the state's infrastructure delivery program.
- **Develop a program of ex-post evaluations** for significant projects, piloting at least two on strategic projects.
- **Integration of the SIP into the budget process.** Agency proposals will be required to demonstrate how the opportunities identified in the SIP are being addressed.
- **Better understanding of project benefits.** State government business cases will include an assessment of who ultimately pays for and benefits from infrastructure project investments over the long term.
- **Project sequencing and prioritisation.** Project sequencing and prioritisation will be improved by developing an infrastructure database.
- **Value capture, alternative funding and financing.** The state will enhance its ability to fund and finance infrastructure by establishing a value capture capability and improving alternative funding and financing options.
- **Leveraging funding.** Secure funds for projects from wider sources including the Northern Australia Infrastructure Facility and the Clean Energy Finance Corporation.



- **Review Grant Programs.** Undertake a review of grant programs to local governments to optimise prioritisation and duplication and improve alignment with the SIP.
- **Deputy Premiers Innovation Challenge.** Challenge industry to put forward innovative solutions to the state's infrastructure challenges.
- **Market-led proposals.** Continue to use market-led proposals process to engage with industry in solving infrastructure challenges.
- **Establish a joint industry-government Infrastructure Innovation Taskforce.** The state will establish a taskforce to examine and report back to government on a variety of infrastructure related matters.
- **Implement Building Information Management (BIM).** Progressively implement the use of BIM into major state infrastructure projects by 2023.
- **Sustainability assessments.** All projects greater than \$100m will include a sustainability assessment.
- **Better asset use.** The state will improve the use of Queensland's public assets.
- **Develop a community needs focus on infrastructure use.** Place-based infrastructure planning will be improved by partnering with community groups, industry and all levels of government.
- **Pursue better community engagement and outcomes in our infrastructure activities.** A community reference group will undertake a number of activities.

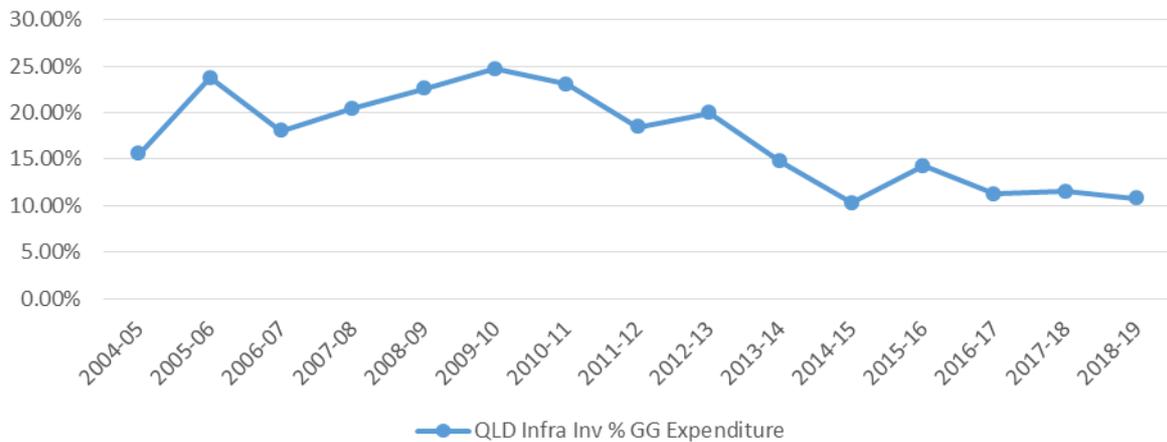
THE IAQ WELCOMES ALL 19 IMPLEMENTATION ACTIONS AND LOOKS FORWARD TO WORKING WITH THE QUEENSLAND GOVERNMENT TO ASSIST THEM THROUGH THESE COMMITMENTS.

HISTORICAL INFRASTRUCTURE INVESTMENT

As a result of sustained infrastructure investment between 2004 and 2013, Queensland has historically addressed infrastructure challenges in advance of impending constraints on our health and education systems, transport, water and energy networks. This investment created resilience in our state's economy, allowing for structural shifts in economic activity and placing us at a relative advantage compared to significant challenges faced across Australia.



Historical and Forecast Infrastructure Investment as a percentage of General Government Expenditure
(weighted, constant 2014-15 prices, 2004-05 to 2018-19)



Source: Infrastructure Partnerships Australia, 2016

However, in recent years' infrastructure investment has fallen significantly whilst macroeconomic conditions have remained relatively stable. As the infrastructure capital program continues to grow, the likely decline in state government expenditure will require greater attention to be placed on alternative sources of funding to ensure delivery across the state. It also emphasises the need for careful project selection.

Investment in infrastructure as a percentage of general government expenditure has now declined below 15% to the lowest levels since 2004/2005. This figure is set to remain at these levels for the next 4-years.

MEASURING UP – LESSONS OF THE PAST

IAQ believe a deeper understanding of the genuine impact of critical infrastructure on Queensland's economic future is required. Identifying key projects that meet the requirements of our future economy is crucial; investment must be guided by a long-term outlook for industry and demographic demand. For example, to accommodate the expansion of the mining industry during the early 2000s, significant investment was undertaken in regional roads and infrastructure associated with mining supply chains. However, fundamental changes in the mining sector have altered the economy's infrastructure requirements and existing 'fit-for-purpose' infrastructure built around these activity centres are now idle and largely irrelevant in supporting future needs of local communities.

These past lessons highlight the importance of acknowledging the ever-changing composition industry sectors, and the evolving needs of both the metropolitan and regional economies. Ensuring the sustainability of long-term infrastructure investment is challenging;



the economic and industry drivers for infrastructure are sensitive to global and domestic economic variables.

IS TOTAL EXPENDITURE THE RIGHT MEASURE?

Current commentary surrounding the infrastructure investment behaviour of governments is nearly always focused on the **quantity** of committed projects and the **value of total expenditure**. While these measures are informative to industry for business investment and workforce planning, IAQ believes a shift towards measuring infrastructure **effectiveness** is required. IAQ is therefore supportive of the SIP's emphasis on the prioritisation of infrastructure which leads and supports growth and productivity as well as Infrastructure Australia's (IA) recommendation for a national *Infrastructure Performance Measurement Framework*, to ensure measurement of infrastructure efficiency. Identifying infrastructure projects that deliver the greatest net outcomes will guide investment decisions across the state, highlighting where investment can be maximised to deliver the greatest value for money projects.

The challenge lies in appropriately identifying these projects and ensuring the prioritisation process is robust and supports the emerging priorities of the Queensland economy. With a likely continuation of declining state government investment in infrastructure, the IAQ welcomes the approach outlined in the SIP particularly in prioritising investment so that the economy and community receive the best outcome. Investing in infrastructure projects that appropriately maximise economic output allows for increased capacity to invest in reforms that support greater community interests such as lower public transport fares or reduced electricity bills.

ARE WE DOING ENOUGH?

New infrastructure will always be demanded by industry and the community as it's a core mechanism for delivering services, supporting connectivity, promoting economic growth and productivity. This constant level of demand highlights the self-fulfilling prophecy of infrastructure and its outcomes; as the population and intensity of land use grows, the demand for productive infrastructure that promotes growth and prosperity increases. Looking to the future, it is evident that the insatiable demand for infrastructure will increase as government faces increasingly tougher choices in allocating funding in service provision. It is unlikely the infrastructure projects contained in the SIP will be delivered in isolation by traditional government sources of funding despite the certainty of continued demand.

IS NOW THE TIME FOR A NEW FOCUS?

As has been detailed, government infrastructure spending has declined in Queensland over the past 10 years. While there is no clear understanding as to whether this decline in



investment has had any material impact on the economic performance of the state in recent years, a new pipeline of projects is certainly welcomed by the IAQ, particularly where prioritised investment supports the economic objectives of tomorrow.

However, the delivery of this pipeline cannot be achieved without adequate and sustainable funding. This provides government with two alternative solutions:

- A. Place greater scrutiny on project prioritisation to ensure that funded projects deliver value for money and make a significant contribution to the economy of Queensland.
- B. Find alternatives to increase the level of available funding for infrastructure delivery in Queensland.

Evidently, it is time to investigate non-conventional funding opportunities and delivery models. The SIP cannot be delivered without it. This is recognised through a range of state government initiatives identified in the SIP which include developing greater capacity in value capture and alternative funding and financing options.

The Australian Infrastructure Plan (AIP) released February 2016 reinforces this by stating:

Given current expenditure levels are unlikely to be sufficient to provide the infrastructure Australia needs over coming decades, a material increase in funding for infrastructure from both public and private sources is required to meet our infrastructure challenges and boost productivity. (Recommendation 1.5)

With a renewed focus on long-term planning and the prioritisation of a pipeline of projects, it's vital to further extend the private sector's contribution to infrastructure delivery and embrace funding reforms. These opportunities have been highlighted in the recommendations of the AIP. In particular, IA recommends federal and state governments consider:

- A road user charging reform pathway
- A heavy vehicle charging regime in the next 5 years
- A light vehicle charging regime in the next 10 years
- Value capture opportunities in all public transport infrastructure investments
- Increased public sector borrowing to support an expanded economic infrastructure investment program.

Alternative funding measures such as pooled funding opportunities, infrastructure recycling programs and market-led proposals have the potential to support these recommendations. Whilst these are not always cure-alls to improving infrastructure affordability and increasing availability of funding, they will be mandatory considerations in the delivery of our SIP pipeline.



CHALLENGES AND OPPORTUNITIES

The delivery of the SIP cannot be implemented without consideration of external influences. The state is confronted by a number of significant challenges and opportunities which are identified below.

Adoption of IA recommendations

The SIP addresses the 78 recommendations of the AIP noting a general acceptance of Infrastructure Australia's recommendation for infrastructure reform. The SIP notes:

Many of the AIP's recommendations for infrastructure reform will be supported by the Queensland Government, as they are consistent with our approach to smarter infrastructure planning and investment. However, the Queensland Government does not support asset sales and will not support the recommendation that Queensland should consider divesting all electricity network assets.

The IAQ acknowledge the Queensland Government's response to the IA recommendations and welcome their support of many of the initiatives. In particular, the IAQ highlight the potential difficulties attaining Commonwealth funding without the adoption of asset recycling initiatives.

Urgent case for Cross River Rail

Cross River Rail (CRR) is identified in the SIP as one of Australia's highest priority infrastructure initiatives and outlining it as Queensland Government's number one priority.

CRR is a transformational project approaching a final business case being progressed by Building Queensland. The project is the subject of current funding dialogue with the Commonwealth Government. It is anticipated that the private sector will also finance the project through PPP arrangements for a potential start in late 2016.

From 2017, the CRR project could add a much needed \$1.25B of new infrastructure investment per year to the pipeline, which is 50 percent on top of the average new transport project expenditure currently in the SIP, or 15 percent of the total four-year program.



Competition for Commonwealth funding

In the near term, Queensland will have to compete strongly with other States for funding of at least 4 of its 6 **Priority Initiatives** listed in the **AIP** including:

- Gold Coast Light Rail Stage 2 *FUNDING AGREEMENT IN PLACE*
- M1 Pacific Motorway – Gateway Motorway merge upgrade
- M1 Pacific Motorway upgrade – Mudgereeba to Varsity Lake
- Bruce Highway upgrades *SOME FUNDING CONTRIBUTIONS IN PLACE*
- Beerburrum to Nambour rail upgrade
- Cunningham Highway – Yamanto to Ebenezer/Amberley Upgrade

Funding and financing opportunities

The IAQ welcomes the Queensland Government's action on alternative funding and financing for the delivery of the SIP infrastructure pipeline. Developing a consistent approach to the identification, quantification and application of the full suite of capture along with funding and financing alternatives, allows the State Government to make better informed decisions about project delivery particularly in regards to affordability. Alternative funding sources including 'user pricing' and 'benefited area levis' will provide a significant funding opportunity for government. Furthermore, as traditional value capture opportunities are unlikely to make significant contributions, alternative funding will be vital. The IAQ welcomes the state's commitment to broadening the application of these solutions given the SIP's commitment to public asset protection.

BUT WHO WILL ACTION?

The IAQ identifies strong leadership is required to deliver the opportunities created by the SIP and recognises the growing role of the DILGP. Emphasis must be placed on the coordination and leadership of infrastructure throughout the state, highlighted by the creation of an Infrastructure Portfolio Office (IPO). Building Queensland has a critical role in providing strong and unwavering leadership in the development and progression of projects through the business case development process and procurement.

Robust, coordinated and positive relationships between DILGP, other line and central agencies, and Building Queensland under a productive governance model is critical to ensuring the SIP pipeline is delivered through the best combination of private and public sector skills to deliver real infrastructure outcomes for tomorrow's Queensland.



IN THE DETAIL – THE STATE INFRASTRUCTURE PLAN

PART A

Part A provides the strategic context for the programs and projects identified within Part B, detailing the objectives and directions required to guide and align planning and decision-making across government, industry and between agencies. Part A outlines the key challenges and opportunities that Queensland faces in delivering infrastructure capable of adapting to the economic changes affecting industry and regions, detailing initiatives to support these challenges and guide infrastructure investment and delivery in Queensland.

KEY INITIATIVES INCLUDE:

- The creation of an infrastructure portfolio office within the Department of Infrastructure, Local Government and Planning to plan and coordinate infrastructure to integrate regional planning to infrastructure planning.
- Development of a value capture approach and improved funding and financing options to enhance the government's ability to fund and finance infrastructure investment.
- Establishment of a joint industry-government Infrastructure Innovation taskforce that reports to government and provides support for ensuring that procurement and the delivery of solutions are efficient and cost-effective.
- Undertake independent audit of Queensland Government agency assets to identify underutilised capacity to inform strategic asset management plans.
- Establish a "Community Infrastructure Reference Group" to improve stakeholder and community engagement, and to increase communication regarding community interests and the balance of competing priorities.

The SIP identifies that achieving Queensland's long term objectives for the investment and delivery of infrastructure requires rigorous planning and a strategic prioritisation framework. Through a detailed Infrastructure Investment Framework, the SIP coordinates strategic planning with the appropriate prioritisation of investment to ensure the project delivery is aligned to government objectives and priorities. This framework highlights the preference of government towards non-build options; reform and improving service performance through existing assets, or relatively low cost capital works, is critical in ensuring the long-term sustainability of infrastructure investment.

The infrastructure delivery responsibilities of government, agencies and industry is detailed within SIP, highlighting the complexity of planning, funding and delivering infrastructure. Importantly, the role of Building Queensland is clearly defined. Building Queensland's key responsibility as an independent statutory body is to provide a consistent approach of



prioritisation and assessment of the benefits and costs in competing infrastructure projects (primarily projects >\$50 million). The main focus of Building Queensland is to ensure projects are appropriately prioritised against government priorities and objectives. While government (with the support of Building Queensland) has the lead responsibility to ensure that the planning and prioritisation of infrastructure is coordinated at a national level, the private sector plays a role in financing, building and operating infrastructure. As addressed above, private-sector involvement is becoming increasingly important in today's dynamic environment.

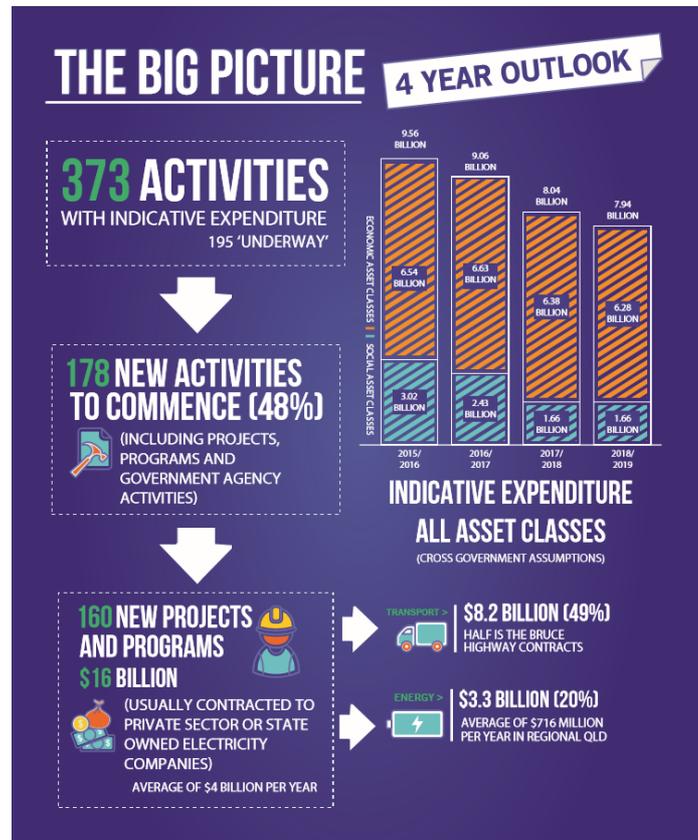
Part A outlines a number of key objectives that detail the outcomes required (or desired) from infrastructure investment. In coordination with the planning, prioritisation and delivery frameworks, these statements form the foundation of the programs detailed in Part B.

PART B

TWO KEY COMPONENTS:

- 1–4 year pipeline of projects and infrastructure activities
- 5-15 year service gaps and future opportunities

THE BIG PICTURE



Part B provides an overview of a four-year forward program of infrastructure activities that are either in planning, approaching procurement and construction or are underway. As well as infrastructure projects, it includes activities such as key maintenance programs, land acquisition and some inter-government expenditure typically related solely to government agencies (e.g. land acquisition funds or planning).



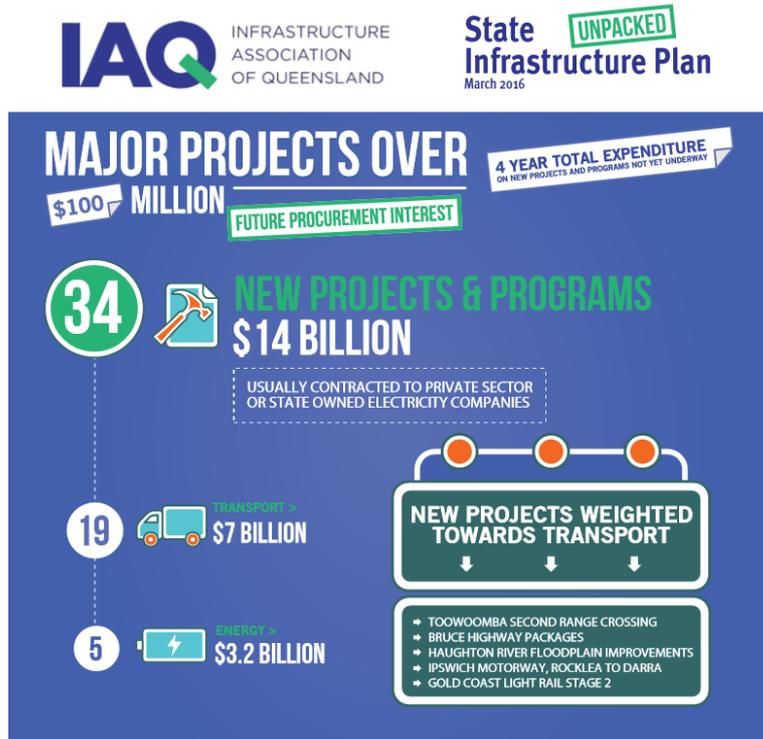
	2015-2016	2016-2017	2017-2018	Average 201
Cross Government Econom	623.23	386.883	52.019	26.0095
Cross Government Social	197.20415	180.56336	293.525	146.7625
Sub Total	\$ 820.43	\$ 567.45	\$ 345.54	\$ 172.77
Transport	3985.4099	5022.5693	10441.27346	5220.6367
Energy	1689.6843	973.19481	1888.117606	944.0588
Water	156.67806	168.19978	161.42	80.71
Digital	86.4	79.65	125.8	62.9
Sub Total	\$ 5,918.17	\$ 6,243.61	\$ 12,616.61	\$ 6,308.31
Health	1039.13	759.218	608.94	304.47
Education	605.149	521.832	917.175	458.5875
Social Housing	680.61	637.322	1131.466	565.733
Justice and Public Safety	141.789	52.088	101.464	50.732
Arts Culture and Recreation	351.44114	273.8393	266.7916	133.3958
Sub Total	\$ 2,818.12	\$ 2,244.30	\$ 3,025.84	\$ 1,512.92
Total	\$ 9,556.73	\$ 9,055.36	\$ 15,987.99	\$ 7,994.00

*Cross Government asset class assumptions made

Continued population growth, particularly in South East Queensland is beginning to shed light on cracks in our infrastructure network. This instability and fall in infrastructure investment has been compounded for construction contractors, which have felt the full effect of a reduction in mining and resources sectors.



UPCOMING MAJOR PROJECTS AND PROGRAMS > \$100M YET TO BE TENDERED



Construction packaging of these 34 separate projects and programs are yet to be understood (i.e. single major or multiple contracts). The IAQ however welcome the state government's commitment to the development of a database supporting the efficient sequencing of projects across the state.

THE KEY TRANSPORT PROJECTS IDENTIFIED INCLUDE:

- Haughton River floodplain improvements \$515M...**Still 2-3 years away if funded**
- Toowoomba Second Range Crossing \$1.606B...**PPP contract is already let**
- Gold Coast Light Rail Stage 2...**Tenders have closed**
- Ipswich Motorway Rocklea to Darra...requires Commonwealth funding contribution

Second highest weighting is Energy Projects:

- 4 Programs with \$2,731Bn spent in the 4-year period