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INVESTMENT IN RESOURCES SECTOR INFRASTRUCTURE

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CONTENTS

EXECUTIVE SUMMARY

Western Australia's ongoing economic growth and prosperity is underpinned by the resources sector. In September 2013, there was $146 billion of resource projects under construction or committed in Western Australia but future growth is not guaranteed – the pipeline of future investment has fallen over the last year, and Western Australian projects face an increasingly competitive international environment.[1]

The need for investment in resources sector infrastructure

The resources sector relies on a range of public and private infrastructure to deliver successful projects, including transport, power, water, accommodation and social infrastructure. Quality infrastructure, built and operated efficiently, can be a key driver of the financial viability of resources sector projects, particularly given the remote locations of many of Western Australia's resource deposits.

Many smaller and mid tier resources companies do not have the operational scale or financial strength to finance all the infrastructure they require. In the past, the Western Australian government has invested in shared infrastructure for the resources sector, but given the increasing net debt challenge – exemplified by the recent loss of the AAA credit rating from Standard & Poors – alternative sources of investment are required.

The resources sector is looking to private sector infrastructure investors to finance the infrastructure that will support future growth in Western Australia. Four fundamental challenges constraining greater private sector investment in resources sector infrastructure are:

- a shortage of long term, integrated planning for infrastructure;
- the complexity associated with structuring, funding and delivering multi-user projects;
- investors' general aversion to accepting demand risk on greenfield infrastructure projects; and
- the inability of the private sector to capture a project's wider economic benefits in a manner that improves the project's financial viability.

The resources sector, infrastructure providers and governments' can work together to improve the financial viability of projects, and encourage greater investment in resources sector infrastructure. Only with each party playing their part can Western Australia achieve its potential in terms of infrastructure development.

Infrastructure planning and coordination

Long term, coordinated planning around Western Australia's infrastructure can help avoid duplication and delays, ensuring the state's infrastructure needs are met at an efficient cost. There are recent advances in the state's infrastructure related planning, evidenced by the draft State Planning Strategy, the Regional Freight Transport Network Plan, and draft State Aviation Strategy however, there still remains a shortage of detailed planning across asset classes.

A detailed long term infrastructure plan can create a pipeline of priority projects to help align planning processes across government as well as assisting investors to prepare and make investment decisions.

Infrastructure planning should be informed through a collaborative approach between government and the private sector. Establishing an arm's length infrastructure advisory body, and improving existing forums, can help improve the quality of infrastructure planning, particularly for projects outside the four year government budget outlook.

Delivery of complex infrastructure projects

The delivery of resources sector infrastructure in Western Australia is generally achieved through planning, funding and delivery of projects by either large private proponents for their own use, or by government for multiple users.

The government should strengthen its capabilities when playing a more complex role to broker partnerships to develop economic infrastructure. This could be achieved by establishing a dedicated economic infrastructure unit with expertise and experience in complex procurement models.

Similarly, supporting line agencies to deliver economic infrastructure, using blended delivery teams, and expanding and refining the role of lead agencies for smaller infrastructure projects could improve the government's delivery capability.

Financing and funding infrastructure and PPPs

The private sector, whether resources sector companies or infrastructure investors, invest in projects based on their financial return. For infrastructure investors, this means a return that reflects the risk profile taken on – which is similar to the risks of the associated resources sector projects in many instances.

Government may consider a number of factors when deciding to invest in infrastructure, such as economic and social benefits to the state, in addition to the financial viability of a project.

There are competing demands on government funds and uncertainty about the benefits that may be generated from investing in certain infrastructure. However, if government limits its assessment of investments to the standalone financial viability of projects, the state risks under-investing in infrastructure.

One factor limiting the government's ability to support infrastructure is the impact on the state government's level of net debt. Hybrid financing models such as viability gap funding and minimum guarantees can assist a project to become financially viable – and thus secure private financing – while at the same time minimising the financial impact to government.

Capital recycling

Another option to support projects, while mitigating the impact on the government's debt, is to identify alternative funding sources. Recycling capital from existing assets would allow the government to invest in new, value creating infrastructure for the resources sector.

User capital contributions

Being state–owned, infrastructure providers such as port authorities and utilities face the same capital constraints as the state government. As a result, they are increasingly seeking user contributions in order to finance capital investment.

There are two major concerns with these user-funded models. The first being the taxation treatment of gifted assets, and second the structure and oversight of user contributions.

The taxation treatment of user capital contributions can result in users funding the costs of developing infrastructure, plus an additional cost to cover the infrastructure providers' taxation liability.

Where users are funding capital projects, they should be involved in the scoping and design of the projects, or provided with the opportunity to deliver the project themselves. This can assist to ensure the design and delivery of a project is efficient.

[1] DSD Western Australia Economic Profile, October 2013

RECOMMENDATIONS

Infrastructure and planning

A state infrastructure plan should be collaboratively developed by government and the private sector and include a prioritisation of the state's economic and social infrastructure needs.

Where appropriate, the private sector should share information regarding the development of infrastructure to assist in the state's planning.

An arm's length body should be established to advise on infrastructure strategies for the state and improve the level of coordination between the private sector and government for longer term infrastructure planning.

The Infrastructure Coordinating Committee should be strengthened by giving it a broader mandate beyond land use and planning as well as a direct voice to relevant Ministers.

Delivery of complex infrastructure projects

An economic infrastructure unit should be established with responsibility for the structuring of the financing and risk sharing model for complex economic infrastructure.

The role of lead agencies for smaller resources sector infrastructure projects should be refined in order to more effectively coordinate and expedite approvals.

Where government is the proponent it should assemble a blended project delivery team utilising expertise and experience from relevant government agencies and the private sector where relevant.

Financing and funding infrastructure and PPPs

Government should evaluate infrastructure investments both in terms of the financial viability of projects and the wider economic and social benefits that could accrue to the state.

Where a project has broader benefits, but is unlikely to be financially viable for private investors, hybrid and alternative solutions should be considered to support a project's development.

An unsolicited proposal process should be developed to encourage the private sector to identify and develop innovative solutions to fund the state's infrastructure.

Capital recycling

A strategic review of the state's existing asset base should be undertaken to determine what assets could be recycled to fund, or contribute towards the funding of, new resources sector infrastructure.

To facilitate capital recycling, the commonwealth government should compensate state governments for the value of the tax revenue that would otherwise move to the commonwealth as part of the transfer of ownership.

User capital contributions

The government and resources sector should work collaboratively to consider alternative commercial solutions to mitigate the tax impost associated with resources sector companies contributing towards the cost of state-owned infrastructure.

Where users are asked to make capital contributions, those users should be consulted about the design of the infrastructure being funded, and potential alternative funding models should be investigated.

THE NEED FOR INVESTMENT IN RESOURCES SECTOR INFRASTRUCTURE

Western Australia's economic performance, underpinned by rapid growth in the resources sector, has driven the growth of the Australian economy in recent years. In 2011-12, Western Australia's economy accounted for 16.2 per cent of Australia's gross domestic product (GDP) and 27.6 per cent of national business investment, compared to Western Australia's 10.7 per cent share of the Australian population.[2]

While the project pipeline remains strong, the resources sector is transitioning to a new phase

While resources sector projects under construction or committed in Western Australia remains significant at $146 billion[3], companies are re-evaluating their capital growth plans. This has resulted in the slowing of some projects such as BHP Billiton's proposed Outer Harbour Project at Port Hedland and Woodside's Browse LNG project. For the first time in more than a decade the value of the project pipeline has fallen in consecutive quarters, with the result that forecast investment is down six per cent compared to a year ago.[4]

As the resources sector enters a new phase, transitioning from capital investment to production, the rate of growth in Western Australia's economy is also receding. In 2012-13, economic growth was 5.7 per cent and is forecast to fall to 3.2 per cent in 2013-14. While this is a notable reduction, the forecast growth rate is still the highest for any state and well above the 2.7 per cent commonwealth forecast for the Australian economy as a whole.[5]

The importance of the resources sector

A recent report commissioned by CME identified the contribution the resources sector makes to the Western Australian economy. Specifically, the Western Australian resources sector:

- contributed $89 billion to the Western Australian economy in 2011-12, equivalent to 40 per cent of gross state product (GSP);
- was the largest overall employing industry with 11 per cent of total Western Australian employment in 2011-12; and
- has positive flow on effects to both the Australian and Western Australian economies, providing a long term boost to national GDP of $4.3 billion and to GSP of $3.8 billion.[6]

Mining royalties alone provide an important source of revenue to the Western Australian government. Royalty income is projected to increase from $4.5 billion in 2012-13 to $5.8 billion in 2013-14, accounting for 21 per cent of the state government's total revenue.[7]

Quality infrastructure is a key element of successful projects

The resources sector relies on a range of public and private infrastructure to deliver successful projects. Common considerations include:

- transport infrastructure including road, rail, and ports that carry construction materials, production inputs, and product to end markets, and aviation for the transportation of the workforce to site;
- power and water infrastructure to support product processes and workforce needs;
- accommodation infrastructure to support remote workforces; and
- social infrastructure supporting local workforces and their families.

Quality infrastructure, built and operated efficiently, can therefore be a key driver of the financial viability of resources sector projects, particularly given the remote locations of many of Western Australia's resource deposits.

Challenges need to be addressed

The decade of strong economic performance in the resources sector has led to a sustained increase in infrastructure demand. As the resources sector production increases so does the requirement for infrastructure. There is a need for continued investment in infrastructure both to respond to this demand and to the meet the needs of a changing sector.

Over time, new projects and expansions of existing projects are becoming more challenging – resources tend to be more remote and deeper, requiring more supporting infrastructure to reach market. These challenges are exacerbated by the increasing cost of doing business in Western Australia. CME has highlighted increasing cost pressures arising from a tight labour market, the taxation system, approval processes and a push toward full cost recovery for government services.

Falling commodity prices and Australia's declining terms of trade have now placed an even greater spotlight on the increasing costs of developing mining and energy projects in Western Australia. A competitive investment framework is important given Australia competes for capital in a global market. If Western Australian projects do not present an attractive proposition, investors will finance projects elsewhere.

Private sector investment should be encouraged

Resources sector projects typically require access to aviation, road transport, power, water, accommodation, rail and port facilities. The development of these facilities has typically been financed by either large users, who have the scale and financial strength to construct their own infrastructure, or by government on behalf of smaller users whose scale requires shared infrastructure, or where government wishes to retain control for policy reasons.

The challenges involved with financing resources sector infrastructure have increased in recent years. Not only have underlying project economics come under pressure, but the role played by mid tier resources sector companies has increased, intensifying demand for shared infrastructure solutions.

An increase in royalties has benefited the state however, these benefits may be counteracted by a reduction in distributions of GST from the commonwealth. In addition, the state has faced a requirement to invest in infrastructure to support the rapid growth in Western Australia's population and economy, resulting in increasing pressure on the state government's credit rating and net debt position.

Given many mid tier resources sector companies do not have the financial strength or operational scale to invest in the infrastructure to support a project, and increasing pressure on the state's finances, both government and the resources sector are looking to infrastructure financiers and providers to invest in infrastructure so Western Australians can benefit from continued growth.

The overall infrastructure requirements of the state will exceed government's ability to provide financing. To meet the funding shortfall, there is a clear need to encourage greater private sector investment in resources sector infrastructure.

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[2] DSD Western Australia Economic Profile, October 2013

[3] DSD Western Australia Economic Profile, October 2013

[4] Deloitte Access quarterly investment monitor, July 2013

[5] Western Australian State Budget 2013-14, Budget Paper No 3, Economic and Fiscal Outlook

[6] CME, Economic reach of the Western Australian resources sector, July 2013

[7] Western Australian State Budget 2013-14, Fact Sheet 1

INFRASTRUCTURE PLANNING AND COORDINATION

A number of initiatives such as the draft State Planning Strategy, Regional Freight Transport Network Plan and draft State Aviation Strategy have, and will, improve infrastructure planning in the state. The next step is to undertake long term and coordinated planning of infrastructure across different asset classes to avoid duplication and delays, all of which lead to extra cost for government and the private sector.

Infrastructure planning works best when it is:

- early - addressing challenges well ahead of time to allow a coordinated response and increase the potential for joint solutions;
- collaborative - involving all relevant parties from the resources sector, government agencies and trading entities;
- open - including sharing information on forecast demand and potential infrastructure solutions; and
- integrated - across asset classes, particularly including supporting infrastructure.

The existing planning system in Western Australia

Infrastructure planning in Western Australia is primarily a state government responsibility. However, the commonwealth government, often through Infrastructure Australia, can influence the state government's preferred prioritisation of projects through its assessment and willingness to contribute funding.

Local governments also play an important role in identifying needs, granting approvals and in some cases act as infrastructure owners and operators.

Responsibility for the coordination of infrastructure planning in Western Australia rests with the Department of Planning and the Western Australian Planning Commission (WAPC).

The Department of Planning has state-wide responsibility for planning and supports the WAPC with planning and administrative matters in achieving objectives set by WAPC.

The WAPC is the statutory authority with state-wide responsibilities for urban, rural and regional land use planning and land development matters. It responds to the strategic direction of government and is responsible for the strategic planning of the state.

The WAPC is supported by a number of specialised planning committees including the Infrastructure Coordinating Committee (ICC). The ICC advises the WAPC on planning for the provision of physical and community infrastructure throughout the state, and aims to promote inter-agency cooperation in decisions related to development. The committee has a broad membership, and includes representatives from agencies across government that deal directly or indirectly with infrastructure planning and delivery.

The Department of Planning and WAPC are responsible for developing a range of plans and policies such as the draft State Planning Strategy.

Draft State Planning Strategy

The state government's draft State Planning Strategy (SPS) sets out its long term vision and strategic goals to 2050. The SPS is intended to be an overarching strategic document that informs all other state, regional and local planning strategies, policies and approvals.[8] It integrates strategic priorities across the community, economy, environment, regional development, infrastructure and governance. The SPS will be supported by other specific plans, frameworks and programs such as regional blueprints, and portfolio specific plans such as the Western Australian Regional Freight Transport Network Plan and draft State Aviation Strategy.

Within an infrastructure context the draft SPS will be used to:

- plan and coordinate regional and urban infrastructure development;
- improve the efficiency of infrastructure investment; and
- facilitate project approval, land management and delivery of services.

The draft State Planning Strategy is an important start but improved planning and coordination are required

The draft SPS recognises the need for improved coordination of long term planning in Western Australia. While it sets the scene for detailed plans around the state's infrastructure needs, more can be done to develop a long term integrated strategy for infrastructure.

Many Australian states have or are in the process of developing long term infrastructure strategies (refer to appendix for an overview). These plans can serve as a device to bring together disparate planning processes at a detailed level, to set out priority projects based on the government's strategy for the state, and create a framework to encourage private sector investment.

A long term integrated infrastructure plan establishes a clear pipeline of projects and promotes partnering with, and within, the private sector. Infrastructure providers have highlighted benefits that could result from the development and maintenance of a pipeline of priority projects, including:

- assisting construction companies and investors to prepare for priority infrastructure projects, thereby ensuring strong competition;
- assisting resources sector companies to include access to shared infrastructure in their planning;
- aligning private sector and local government planning with the state government's priority projects; and
- better positioning the state for commonwealth government support.

The recent change of government at the commonwealth level reinforces the need for a state infrastructure plan. The commonwealth government's infrastructure policy indicates a more proactive role for Infrastructure Australia, including undertaking a national infrastructure audit, and identifying and prioritising projects as part of a priority infrastructure list. Without a detailed state infrastructure plan, Western Australia may be less able to shape commonwealth funding priorities.

RECOMMENDATION

A state infrastructure plan should be collaboratively developed by government and the private sector and include a prioritisation of the state's economic and social infrastructure needs.

[8] Department of Planning, Draft State Planning Strategy, 2013

There is a lack of interaction between government and the private sector

Both government and the private sector have a role to play to avoid the development of assets in isolation. In some instances proponents are sometimes unable to share their plans in detail due to commercial reasons or uncertainty about the size, quality and location of resources meaning business plans change rapidly. However, there may be instances where the private sector could better share information to assist government in infrastructure planning.

RECOMMENDATION

Where appropriate, the private sector should share information regarding the development of infrastructure projects to assist in the state's planning.

An arms length infrastructure body should be established

The existing framework for long-term infrastructure planning and coordination in Western Australia requires a new approach to address the state's infrastructure challenge.

An arms length body focusing on the state's long term infrastructure needs would fill a gap in Western Australia's current planning and budget processes. Whereas projects within the four year government forward estimates period (the state government's budget outlook) receive significant attention from Treasury, projects proposed in five to ten years are typically not subject to detailed central scrutiny and coordination.

Benefits of establishing an arms length body, responsible for long term infrastructure planning and coordination include:

- improved collaboration between government and the private sector to deliver strategic infrastructure planning;
- better decision making through a structured, evidence-based assessment of needs and priorities;
- greater sophistication in the way infrastructure is procured, financed and maintained; and
- establishing a clear pipeline of projects to attract private investment.

This model could work in Western Australia as an arms length "Infrastructure WA". This would ensure infrastructure planning is overseen by a focused group who can give strong and independent advice to government and the private sector on longer term infrastructure priorities.

RECOMMENDATION

An arm's length body should be established to advise on infrastructure strategies for the state and improve the level of coordination between the private sector and government for longer term infrastructure planning.

In addition, or as an alternate, there is the potential to strengthen and improve the performance of the Infrastructure Coordinating Committee. The ICC presently focuses primarily on issues relating to land use and development, and its ability to align the views of different line agencies is limited by its indirect reporting line to state Cabinet. Planning within agencies can be better aligned by giving the ICC a mandate beyond land use planning to undertake strategic infrastructure planning and requiring the ICC to report directly to a Minister for Infrastructure or to a committee composed of relevant Ministers.

RECOMMENDATION

The Infrastructure Coordinating Committee should be strengthened by giving it a broader mandate beyond land use and planning and a direct voice to relevant Ministers.

An arm's length "Infrastructure WA" or a strengthened ICC present opportunities to improve the links between government and the private sector through the appointment of members from outside government. These changes would improve infrastructure planning and development across all industries in the state.

For the resources sector, advisory bodies such as the South Australian Resources and Energy Sector Infrastructure Council (RESIC) could provide valuable input on the resources sector's infrastructure priorities and in turn, provide further benefits to the whole of the state.

While improved planning and coordination alone will not guarantee private sector investment in resources sector infrastructure it is an important step. It helps both government and the sector develop smarter projects that most effectively meet market demand, thereby improving the economics of infrastructure projects. It also sets out a pipeline of priority infrastructure requirements for Western Australia allowing investors to understand the needs of the state and how they can contribute.

RESIC – an example of collaboration between industry and government

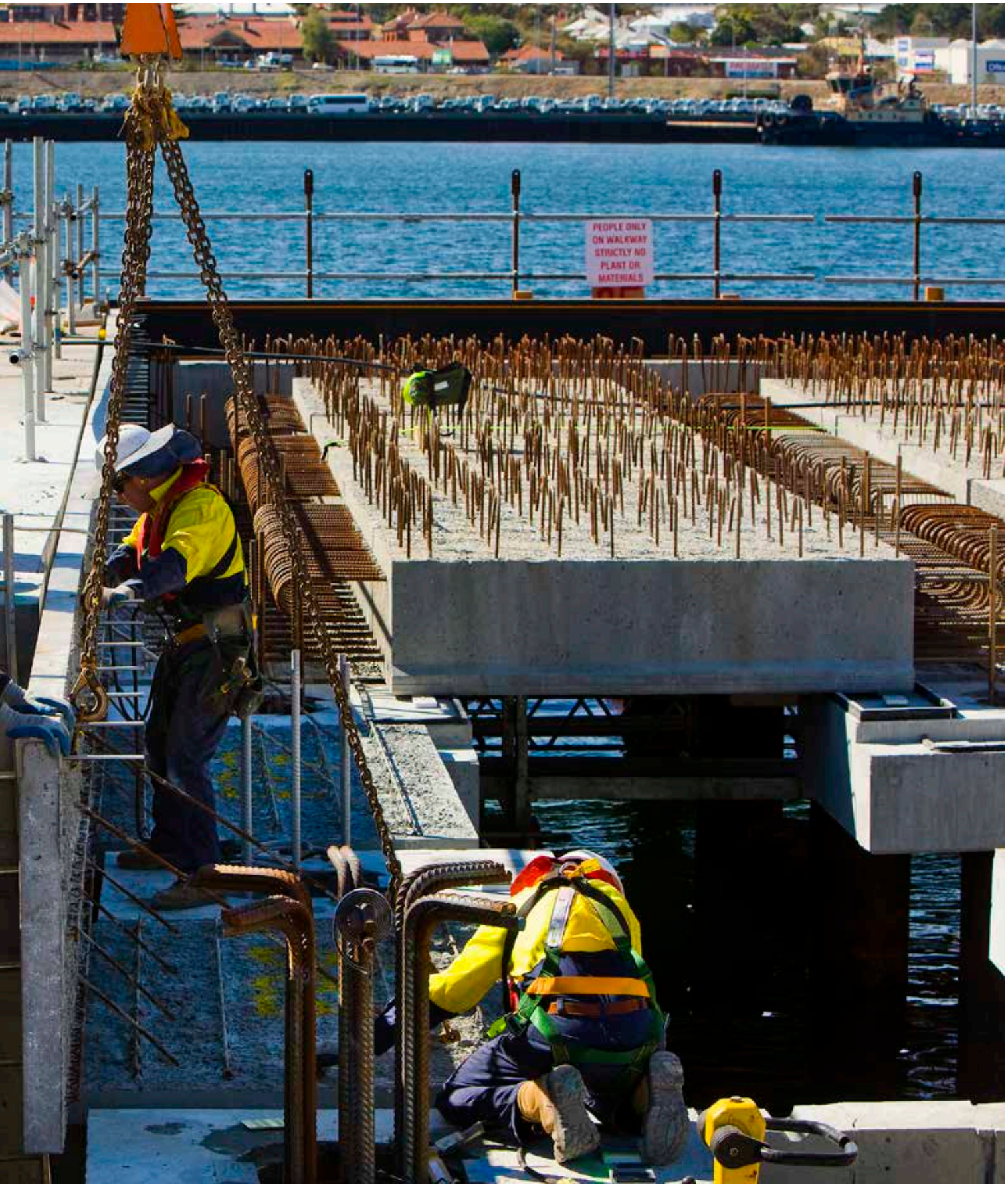
The Resources and Energy Sector Infrastructure Council (RESIC) advises the South Australian state government on infrastructure issues relating to the mining and energy sectors. RESIC's membership is primarily drawn from the private sector, but includes senior representatives from relevant government departments. It promotes a close working relationship between the resources sector and government on planning and infrastructure development and fosters cooperation across companies to maximise the value of infrastructure developed and to minimise its duplication.

RESIC advises government in three areas:

Identification and prioritisation of infrastructure needs: RESIC facilitates an integrated view of infrastructure requirements identified by industry and government agencies. RESIC's work has included leading demand studies and infrastructure audits.

Approvals and funding: RESIC makes recommendations to government regarding funding options and expedited approval regimes to promote and facilitate the development of the recommended infrastructure requirements. It also seeks to broker relationships across and within industry and government to optimise infrastructure development.

Infrastructure policy: RESIC advises government on barriers to infrastructure development and recommends supportive policies to competitively promote the establishment of infrastructure (including shared infrastructure wherever possible).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DELIVERY OF COMPLEX INFRASTRUCTURE

The delivery of resources sector infrastructure in Western Australia is generally achieved through planning, funding and delivery of projects by either large private proponents for their own use, or by government for multiple users.

A range of policy agencies, with oversight from central teams, are responsible for structuring and delivering economic infrastructure on behalf of the state government. Even where the private sector develops its own infrastructure, the government's policy goals and role as regulator influence this development through granting tenure, approval processes and taxation.

The government should strengthen its capabilities when playing a more complex role to broker partnerships to develop economic infrastructure. This could be achieved by establishing a dedicated economic infrastructure unit with expertise and experience in complex procurement models.

A focused approach to structuring complex economic infrastructure

Structuring economic infrastructure projects is complex, particularly when seeking to provide access to multiple users and keeping a project off the government's balance sheet. At present there is no single team that structures complex economic infrastructure projects, particularly where the private sector takes on the demand risk. Rather, commercial structures are developed by the individual government agency managing the project.

Projects currently in procurement, or under consideration, are being led by agencies including Horizon Power for the Pilbara Power Project, the Department of Commerce for the Pilbara Fabrication and Services Common Use Facility, and the Esperance Port Authority for the Multi-user Iron Ore Facility.

Whilst it is important to have strong involvement from the relevant government agency – who will better understand the industry's strategic and technical issues – a dedicated and centralised economic infrastructure unit should be established to support these agencies.

This unit should be equipped with experienced personnel who can administer different financial and commercial structures for economic and resources sector infrastructure and can provide an advisory and oversight role to the project team.

The unit should also evaluate and consider a projects financial viability from the perspective of the private sector. This will enable it to identify how projects should be packaged and structured to attract interest from infrastructure investors.

At present the team with the most relevant expertise to undertake this role is Treasury's Commercial Contracting Unit (formerly the PPP Support Unit). While this unit supports the procurement of economic infrastructure projects, line agencies do not always seek detailed input into the development of their business cases, reducing the ability of the team to influence the commercial and funding structures for procurement. The Commercial Contracting Unit's responsibility and expertise should be expanded to take a leading role in the development of business cases for economic infrastructure projects, which would enable government to make more informed decisions on risk allocation and alternative procurement models.

This type of model is commonly used in other jurisdictions. For example, in Canada a number of the provincial governments have established infrastructure delivery specialists such as Partnerships BC and Infrastructure Ontario who oversee the structuring and delivery of all major infrastructure partnerships involving government.

RECOMMENDATION

An economic infrastructure unit should be established with responsibility for the structuring of the financing and risk sharing model for complex economic infrastructure.

Clearly defined and consistent project coordination and delivery

Regardless of the funding source government influences a project's development as a regulator and coordinator of approvals. For example, planning and approvals for a new port terminal requires land tenure approvals for a rail corridor, and ensuring there is sufficient power and water to support a new industrial development. The approval process across a range of government agencies requires a high degree of coordinated planning.

For some mid tier resources sector companies it is not clear which government agency is responsible for leading government's approval of a project. This results in confusion and delays where the roles of different agencies are unclear.

In Western Australia, government often appoints a lead agency to act as a case manager for major resources sector and infrastructure projects. While the lead agency is not responsible for securing approvals on behalf of the project, it is empowered to facilitate proponents through the approvals process.

The lead agency framework provides the basis for determining which government entity will play this role. For strategic or significant state government sponsored projects and major resource sector projects the Department of State Development provides the lead agency function. However, other agencies can also act as lead agencies for projects within their portfolio area.

While the lead agency framework may be an effective process for larger proponents, the framework should be strengthened for small to mid tier resources sector companies to provide a clear point of contact for proponents and consistent approach across government.

RECOMMENDATION

The role of lead agencies for smaller resource sector infrastructure projects should be refined in order to more effectively coordinate and expedite approvals.

At present most line agencies either operate or regulate the state's infrastructure rather than structuring the financial model of new investments. When government is both the proponent and project manager, which is often the case where government is developing proposals to build, own and operate economic infrastructure, the agency should have the relevant skills and experience to deliver the project as well as drawing on the skills and expertise of other agencies.

In Western Australia, project specific delivery teams, bringing together key expertise from relevant agencies, are typically established for social infrastructure. This approach should also be extended to economic infrastructure projects where a line agency is responsible for delivering a project.

The Office of Strategic Projects, within the Treasury portfolio, works in collaboration with agencies, using blended project teams to deliver a range of major social infrastructure projects such as Fiona Stanley Hospital (with the Department of Health), the Perth Stadium (with the Department of Sport and Recreation) and the eastern Goldfields regional prison (with the Department of Corrective Services).

The role of the Office of Strategic Projects should be extended to the delivery of economic or resources sector infrastructure. A stronger, cross agency project delivery team, beyond existing governance steering committees, would assist to ensure economic infrastructure meets the needs of the end users, who typically fund a project through user fees.

Similar to infrastructure planning, government project design and delivery teams should engage early and collaborate with users to ensure an infrastructure project meets the needs of the end user.

RECOMMENDATION

Where government is the proponent it should assemble a blended project delivery team utilising expertise and experience from relevant government agencies and the private sector where relevant.

FINANCING AND FUNDING INFRASTRUCTURE AND PPPs

Infrastructure can be developed under a range of different contractual models, differentiated by where responsibility lies for the different elements of work such as design, construction, procurement, operation and maintenance.

Where government is involved, the term Public Private Partnership, or PPP, is used to refer to the arrangements where, through private financing, the private sector develops public infrastructure and related services.[9]

PPPs can be structured in a range of ways by varying the responsibility, risk exposure and payment structure. The government's policy objectives, and the allocation of risk and reward between government and the private sector, will impact on the contractual model of a PPP.

A further important consideration for government and the private sector is how a project is financed or funded as this impacts on the net debt position of government, and the viability and profitability of an infrastructure project to the private sector.

The structure of PPPs varies between the development of social and economic infrastructure. A range of models used include:

- Build own and operate schemes.
- Build own operate and transfer.
- Design build finance operate.

Availability PPPs – A financing and commercial solution, not an alternative source of funding

The generic term public-private partnership refers to a range of mechanisms through which governments and the private sector finance, build and operate infrastructure.

In an 'availability PPP', the private sector finances all or part of the upfront cost of the infrastructure, and receives an 'availability' payment over the life of the infrastructure in exchange for meeting performance obligations. In this model government still 'pays' for the project, and as a result the cost is typically reflected on the government's balance sheet. While there is no net debt benefit, this model is often used to achieve a better value for money outcome by aligning incentives, reducing government's exposure to cost overruns and optimising whole of life costs.

Financing resources sector infrastructure is getting harder

Australia is generally an attractive destination for investors given the developed economy, stable political environment and legal frameworks. This gives Australia an advantage in competing globally for capital. However, in light of current market conditions, private investors are considering their capital investments with a higher degree of scrutiny as well as the financial and operational structure of projects.

Historically, infrastructure for larger resources sector companies has been financed by individual proponents, particularly in the case of large, single-user infrastructure such as the rail networks in the Pilbara. A larger company's operational size and financial strength enables it to invest in infrastructure as a single user, and maintain control over core business activities.

Nonetheless, resources sector companies are increasingly redefining core infrastructure, and evaluating models to bring external capital into infrastructure projects – a recent example is Fortescue Metals Group's sale of its Solomon Power Station to TransAlta.

More recently the number of projects being brought to market by mid tier resources sector companies are increasing. In the past the most common source of financing for projects with multiple users, or where users lack sufficient financial strength or whose underlying project economics are not sufficiently robust, has been the state government in developing multi-user solutions such as the Utah Point export facility at Port Hedland port and the Mid-West energy project.

[9] National PPP Guidelines, COAG, 2008

Investors have different risk appetites, and scrutinise funding sources carefully

Given the challenges being faced the resources sector and government are looking to private sector investors as a source for financing infrastructure. Infrastructure investors are also investigating opportunities to finance resources sector infrastructure but, prior to committing, carefully scrutinise the justification for investment.

To secure private sector finance a project must generate sufficient revenue to provide an attractive return on the upfront project cost. A project's risk profile, and investors' thresholds for risk and reward, results in investors closely analysing the financial viability of projects.

Term	Definition	Potential Sources
Financing	Refers to the capital required to finance the upfront costs associated with developing a project.	Infrastructure is financed through: • Public sources (e.g. public sector borrowings); or • Private sources (private sector debt and / or equity).
Funding	Refers to the source of funds used to repay the upfront financing.	Infrastructure is funded (i.e. paid for) through: • Public funds - taxation, consolidated revenue, or specific fundraising; or • Private funds - typically through user charges (e.g. road tolls, port fees, electricity charges etc) or project revenue (e.g. iron ore sales).

Investors have different risk tolerances when considering infrastructure projects. For example, some investors will not accept construction risk, meaning they will invest only in assets already successfully constructed and commissioned. Other investors will not invest in assets exposed to high levels of commodity price risk. Many are also reluctant to accept demand risk, particularly in the case of counterparties that lack the necessary financial strength to support bankable take or pay contracts.

Investment in resources sector infrastructure is viewed as being high risk due to the exposure of commodity prices and the limited financial strength of mid tier resources sector companies looking to develop multi-user facilities. This results in a higher risk profile when compared to other investments such as container ports or airports.

The result is while there is a large pool of global capital seeking to invest in infrastructure projects, the pool of investors with the appetite to invest in new resources sector infrastructure is smaller. Many superannuation funds, for example, are precluded from accepting construction risk, and instead focus on proven projects with an established demand profile.

Infrastructure relying on a small number of users is highly reliant on the success of those underlying resources sector projects, requiring consideration of issues such as their position on the cost curve, foreign currency risk and resource life. Further, in the case of greenfield infrastructure, there are additional risks associated with the technical performance of projects, exposure to construction cost overruns and the timing of development of individual resource bodies that will drive the use of the infrastructure over time.

Ultimately, the risk profile of resources sector infrastructure is closely tied to the success of underlying projects that support the infrastructure – investors will therefore seek a return profile similar to those sought by project proponents.

Government's policy dilemma

Some infrastructure projects may generate broader economic benefits despite not being sufficiently financially viable to secure private finance on a strict commercial basis. Whereas the private sector, whether resources sector companies or infrastructure investors, make investment decisions on the standalone financial profile of a project, government is able to invest in infrastructure projects which capture broader benefits generated in terms of royalties, taxation and social outcomes.

This creates a case for government to evaluate investments taking into account more than just the direct revenue from an infrastructure asset, and to financially support some projects in order to generate economic benefits that will flow back to government and to Western Australians more broadly.

Making these investment decisions are challenging given competing uses for government funds, uncertainty about the eventual benefits derived from a project, and indirect impacts on government revenue and expenditure. For example, some projects will drive population growth in regional areas leading to additional costs to government associated through social infrastructure requirements such as schools and housing.

Nonetheless, the net benefits to Western Australia from some infrastructure projects can be significant and with government support can be value-creating for the state. If government limits its assessment of investments to the standalone financial viability of projects, the state risks under-investing in infrastructure.

RECOMMENDATION

Government should evaluate infrastructure investments both in terms of the financial viability of projects and the wider economic benefits that could accrue to the state.

The funding impasse

If the state government has a role in either financing or funding infrastructure it is likely there will be impact on the state's net debt position which in turn influences its ability to support the development of infrastructure. The structuring of financing and funding models is likely to be a key determinant in the government's ability and willingness to support projects. At its simplest, there are four potential combinations of financing and funding.

In the past, the state government has publicly financed projects (such as Utah Point at Port Hedland port and utility infrastructure) that are privately funded through user fees. In this case, government bears the demand risk. If user funded projects can secure private finance, which is the outcome currently being sought for the Multi-User Iron Ore Facility at the Port of Esperance, these projects would become privately financed and privately funded – removing any impact on the state government's net debt position.

Publicly funded

Privately Financed

Typically social infrastructure that is non-revenue generating where:

- the private sector finances the initial capital costs;
- revenue from the assets (if any) is typically collected by government; and
- the private investor receives a direct "availability payment" over the life of the infrastructure as long as it meets performance requirements so that it can repay the initial finance.

Project Examples:

New Perth Stadium, Gold Coast Rapid Transit Project, Eastern Goldfields Prison.

Publicly Financed

Typically social or non-revenue generating infrastructure where:

- projects are financed through public borrowing; and
- given limited direct revenue, projects are funded through taxation revenue.

Project examples:

- Fiona Stanley Hospital, Great Eastern Highway upgrade, Perth City Link.

Privately funded

Privately Financed

Typically:

- private sector financing is possible where the infrastructure is commercially viable; and
- the infrastructure is privately funded through user charges or revenue generated from the project (e.g. iron ore sales).

Project examples:

- Queen Elizabeth II Medical Centre Car Park Project, FMG Solomon Hub Power Station, Newcastle Coal Infrastructure Group.

Publicly Financed

Typically economic infrastructure where:

- public entities (e.g. port authorities or utilities) own the infrastructure;
- the public entity borrows in order to finance the infrastructure - this is consolidated on the state government's balance sheet; and
- user fees from the asset provide a funding stream for government to repay the financing - but government bears the demand risk and any revenue shortfall.

Project Examples:

- Utah Point Bulk Export Facility, Mid-West energy project.

Generally, it is in the case of privately financed, privately funded infrastructure – for example infrastructure where the initial private finance is funded and paid for by the private sector through user fees or project revenue – can the government avoid a balance sheet and net debt impact. This makes it challenging for government to support projects, whether through upfront financing or ongoing funding support, without having some impact on its financial position.

While the nature of some projects inherently determines the possible financing and funding outcomes, in other cases there is some potential flexibility to move from one financing and funding model to another through an alternative commercial structure. For example, social infrastructure such as hospitals and roads are frequently both publicly financed and publicly funded. For commercial reasons, the government may choose to procure this infrastructure through an availability PPP, under which the project would be privately financed, but remain publicly funded.

A privately financed and privately funded model needs to be financially viable on a standalone basis. As previously discussed, there may be some infrastructure projects with a strong economic justification, but for which the case for private financing and funding is marginal given the risk profile of the project. For these projects, there is a funding impasse – the projects do not justify private financing and funding, but government is unable to publicly finance the project given the impact on its net debt position.

These projects do not neatly fall into any of the models of financing and funding set out above – instead they lend themselves to hybrid and alternative commercial structures.

Port of Esperance – Multi User Iron Ore Facility (MUIOF)

The MUIOF will cater for the export needs of a number of iron ore mining companies with tenements in the Yilgarn region. Esperance Port Authority has commenced a process to identify a private sector proponent to deliver the project under a build, own, operate and transfer (BOOT) model.

It is anticipated the MUIOF will be entirely financed by the private sector and funded by users, with the proponent recovering its upfront investment through user fees, and bearing the risk of demand being higher or lower than expected.

Alternative models can help

Hybrid models can assist to make a project become financially viable and secure private finance as well as reduce the financial impact to government. There are also alternative solutions where government packages existing revenues, or delays the transfer of demand risk, that can assist in developing projects without the same long term impact on net debt.

RECOMMENDATION

Where a project has broader benefits, but is unlikely to be financially viable for private investors, hybrid and alternative solutions should be considered to support the project's development.

There are four approaches which would enable the state government to support resources sector infrastructure, that could be structured in a manner that avoids the state government being exposed to the full net debt impact over the life of a project.

When considering how best to fund these projects, the focus should to be on optimising the commercial and financial structure to strike the right balance between private sector and government funding, and how each party shares in the project's revenues and risks.

1) Viability gap funding

Viability gap funding attempts to optimise the level of private and public funding by providing the minimum amount of public sector funding required to make the project financially viable, with the balance of the finance coming from private sources.

For example, if a project costs $150 million, but the project revenues can only support project costs of $125 million, the government may choose to provide viability gap funding of $25 million to make the project financially viable. The private sector would finance the balance of the project costs (in this example, $125 million).

In this instance the government's contribution is an additional source of project revenue, thereby improving the project's financial viability, but the government's financial (and hence net debt) exposure is limited to the quantum of its contribution. Further, the government's viability funding contribution could be structured as contingent equity allowing it to generate a return if the project is more successful than expected.

Viability gap funding has merit for resources sector infrastructure projects that generate royalty revenues for the state and is one of the measures supported by Infrastructure Australia to remedy the nation's infrastructure backlog.[10]

In determining whether to provide viability gap funding, the state government should evaluate the wider economic returns from a project to assess whether its economic return justifies the potential investment.

2) Minimum guarantees

Under a minimum guarantee, government underwrites a minimum demand or patronage level to an infrastructure provider. This structure offers a way of de-risking the demand element of projects in order to leverage additional private finance.

In a typical model, government support would not be triggered unless demand was significantly below expectations. This could be accompanied by a form of revenue cap allowing government to share in any upside generated beyond initial expectations. The aim of minimum guarantees is to protect lenders of a project from lower demand, though equity holders will still face variable returns within the cap and collar range.

This model does not require any physical (cash) contribution upfront, but rather is a contingent liability to the state government. As a result this may limit the impact on the government's balance sheet, and strongly encourages private financing solutions by de-risking projects.

While there are limited case studies in the resources sector, similar approaches have been taken in the development of student accommodation for universities where the private sector has developed projects, underwritten by agreements the university will top up a shortfall if demand falls below a given threshold.

3) Existing revenue streams as a funding source

Infrastructure networks such as rail and power are often expanded to enable growth or, in the case of port infrastructure, new terminals constructed to facilitate capacity increases. Where existing infrastructure already generates a revenue stream, the opportunity arises to bundle the concession rights to operate the existing infrastructure with the obligation to develop new infrastructure.

Under typical concession arrangements, the government would run a competition for the right to operate infrastructure, including the right to charge fees for use. This right would be combined with an obligation for the concessionaire to develop new infrastructure, for example under a build own operate transfer agreement.

Bundling the existing concession rights with the responsibility to upgrade new infrastructure may be more of an attractive proposition to the private sector than developing new infrastructure on a stand-alone basis. This approach reduces risk given a portion of the project's revenue comes from the users of existing infrastructure, where demand is better proven.

An example of this model is Flinders Port in South Australia, where a long term concession of port infrastructure included the requirement to invest other in upgrades. The proposed F3-M2 Project in Sydney will also leverage existing revenue streams from other toll roads to supplement the funding for the new road.

Alternatively the government may obtain better value for money by not bundling the concession rights with an obligation to invest in new infrastructure. Rather it could sell the concession rights and use the proceeds to invest in new infrastructure. This concept is widely known as capital recycling.

[10] Infrastructure Australia, National Infrastructure Plan, June 2013

4) Delaying demand risk transfer

In some instances, government can achieve better value for money by acting as the investor in an initial phase of a project and selling the asset once developed and proven.

For the Darwin Marine Supply Base in the Northern Territory, the government financed the project and retained the revenue risk associated with the new infrastructure. The project was structured to facilitate a possible government sell down once the infrastructure was developed and the demand profile proven.

Similar approaches are being considered for new infrastructure developments on the east coast of Australia including the East-West Link project, the WestConnex project and Moorebank Intermodal Terminal in New South Wales.

While this approach initially ties up the government's balance sheet and requires it to take on demand risk, once demand is proven, the project can be offered to market for privatisation or long term leasing thus generating revenue for the government.

Darwin Marine Supply Base Project

The Darwin Marine Supply Base Project aims to develop port and logistics infrastructure to support vessels servicing the offshore oil and gas industry. The Northern Territory government originally sought to develop the project on a privately financed, privately funded basis. Following engagement with the market, the government formed the view the project was unlikely to be viable on that basis, and the economic benefits of the project justified proceeding with a primarily public financed model.

While this impacts the government's budget, and requires taking on a significant level of demand risk, it may offer the government the ability to make a strong return on its initial investment by bringing the asset to the market once usage levels and revenues have reached a steady state.

Developing an unsolicited proposal process could encourage private sector solutions

An unsolicited proposal process is a mechanism encouraging the private sector to approach government with innovative and unique ideas to develop infrastructure or provide services while still meeting the government's strategic objectives. Unsolicited proposal processes have been implemented in a number of jurisdictions including New South Wales, Victoria, the United Kingdom and South Africa.

To progress through an unsolicited proposal process, and commence negotiations with government, the private sector's proposal must demonstrate value to the state and align with government's priorities.

The New South Wales process sets out a three stage process for evaluating an unsolicited proposal and provides government with the right to cease negotiations at any stage:[11]

1. the government undertakes a comprehensive initial assessment of the proposal to identify the potential benefit to the state and the value of engaging in a direct commercial relationship rather than through an open tender;
2. a detailed proposal is then further developed and assessed cooperatively between the proponent and government; and
3. the proponent and government negotiate a final binding offer.

The assessment of unsolicited proposals should be conducted in line with probity principles designed to maintain impartiality, accountability, transparency and confidentiality. The probity principles also relate to managing conflicts of interest and obtaining a value for money outcome.

Unsolicited proposals currently being progressed by the New South Wales government include Transurban's F3 to M2 Link and Crown's Sydney Resort Project.

RECOMMENDATION

An unsolicited proposal process should be developed to encourage the private sector to identify and develop innovative solutions to fund the state's infrastructure.

[11] http://www.nsw.gov.au/unsolicitedproposals

CAPITAL RECYCLING

Hybrid financing and funding solutions necessitate some level of public sector support depending on the degree to which the project is financially viable on a stand-alone basis. Capital recycling is one approach that could allow the state to invest in infrastructure for the resources sector while potentially avoiding any negative impact on state's net debt.

Capital recycling is a two stage strategy where government sells existing state owned assets in order to invest in new infrastructure.

For capital recycling to work over the longer term, governments must be willing to unlock the value in existing assets, and invest the proceeds into infrastructure that will generate a return for government and increase in value over time. This provides the basis for an ongoing cycle of investment.

The capital recycling approach can attract competition from a larger pool of capital by offering projects already established and operating. This alleviates narrowing of the investment pool including some infrastructure investors, such as superannuation funds, who don't accept construction risk, but focuses instead on proven projects with an established demand profile.

Capital recycling can assist infrastructure projects to reach their full potential by unlocking them from capital constrained public entities. For example, the government's draft State Aviation Strategy refers to the potential for alternative ownership models in regional airports as a means of injecting the capital required for major upgrades. Similar considerations might apply in other asset classes such as utilities and ports.

For Western Australia, the benefit of a capital recycling strategy is potentially greater than for other states given investment in other resources sector infrastructure is likely to stimulate additional royalty revenue through the development or expansion of resources sector projects.

RECOMMENDATION

A strategic review of the state's existing asset base should be undertaken to determine what assets could be recycled to fund, or contribute towards the funding of, new resources sector infrastructure.

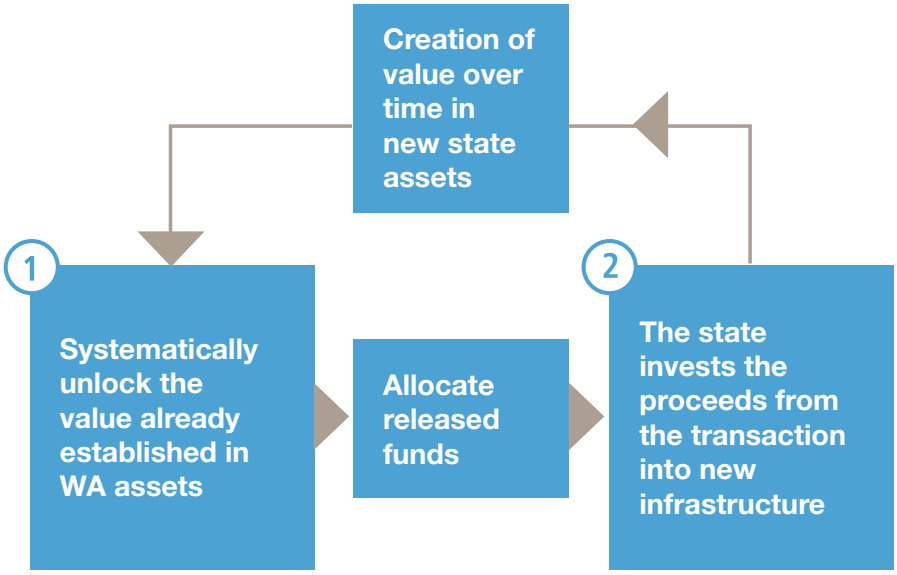
One potential barrier to capital recycling is the transfer of tax that would flow from Western Australia to the commonwealth government as a result of assets moving into private ownership.

Under the National Tax Equivalent Regime (NTER) state-owned entities, such as port authorities and utilities, are assessed for income tax as if privately held. Unlike private companies, this tax is paid to state governments. If ownership of the underlying asset was to transfer to the private sector, the tax stream generated by that entity would be paid to the commonwealth government as opposed to the state government via the NTER. This changes the financial impact to states of asset disposals, and could hold back capital recycling programs.

The announcement by the commonwealth government in late 2013 of an in-principle agreement to protect state tax revenues after the privatisation of major assets is strongly supported.

RECOMMENDATION

To facilitate capital recycling, the commonwealth government should compensate state governments for the value of the tax revenue that would otherwise move to the commonwealth as part of transfer of ownership.



USER FINANCED MODEL

In addition to hybrid models there is the potential for users to contribute part or all of the financing for new infrastructure. This reduces or removes the impact on the government's net debt position, but will not be applicable in all cases, as it requires users to have sufficient credit strength to be able to contribute capital upfront.

User finance approaches typically invite proposals from users to develop infrastructure or by providing the infrastructure through an existing agency (for example a utility or port authority) and recoup the capital cost from users upfront.

User-developed infrastructure

Inviting one or more users to develop multi-user infrastructure for the resources sector, with appropriate access conditions and funding structures, could provide a solution for some developments. These arrangements are typically structured as a lease with conditions from the government.

Private finance must be available to the user under this model. For small to mid tier resources sector companies this can present a challenge due to a weaker balance sheet strength and given financial investors are less willing to lend to proponents without a strong track record of project development.

One example of a successful user financing model is the Newcastle Coal Infrastructure Group development in New South Wales, in which six coal producers jointly developed a new coal export terminal and supporting infrastructure.

Capital contributions

Competing demands on government revenue means state-owned entities often find it difficult to obtain finance to invest in infrastructure upgrades and minor infrastructure works. To counter this, state-owned entities often seek financial contributions from users to develop infrastructure directly.

The taxation treatment of upfront contributions and the structure and oversight of user contributions remains a challenge in encouraging upfront capital contributions.

Taxation treatment of upfront contributions

The taxation treatment of gifted assets creates a barrier to developing new infrastructure. In a number of cases resources sector companies have financed infrastructure improvements however, when gifting the asset to the state, companies are required to contribute beyond the cost of the asset in order to cover intra-government tax cash flows.

Capital contributions or gifted assets from resources sector companies creates a taxable income for the recipient of that asset equivalent to the arms length value of any monetary or non-monetary consideration, which is usually assessable at the time of receipt.

While state-owned entities are typically (but not in all instances) entitled to depreciation deductions over the life of the asset (typically 20 to 40 years depending on the type of asset), there is no matching revenue stream to cover the cost of the income tax liability. As a result some entities seek to recover the additional cost from the companies which financed the infrastructure initially to ensure the transaction is tax neutral. Further, the additional contribution is generally taxable to the recipient further increasing the tax cost of the gifted infrastructure to the state-owned entity.

The additional taxation impost can be managed through appropriate commercial structuring, and by working collaboratively with resources sector companies to evaluate alternative models for delivering infrastructure at the lowest cost.

RECOMMENDATION

The government and resources sector should work collaboratively to consider alternative commercial solutions to mitigate the tax impost associated with resources sector companies contributing towards the cost of state-owned infrastructure.

Structure and oversight of user contributions

Where capital contributions are required upfront users should be involved to scope and design and identify funding mechanisms for that infrastructure. Early engagement and oversight of a project's scope and design assists to ensure the project meets the needs of the user and assists to ensure the infrastructure is delivered efficiently.

RECOMMENDATION

Where users are asked to make capital contributions, those users should be consulted about the design of the infrastructure being funded, and potential alternative funding models should be investigated.

APPENDIX

Infrastructure planning and delivery models

	Jurisdiction and coordination	Funding and delivery of infrastructure projects
WA	The planning for infrastructure is led by the following entities: • the Department of Planning – provides planning and administrative support to Western Australian Planning Commission (WAPC); • the WAPC – has state wide responsibilities for urban, rural and regional land use planning and land development matters; and • the Infrastructure Coordinating Committee – advises on planning for the provision of physical and community infrastructure throughout the state and is made up of representatives from within government. The government is currently developing the State Planning Strategy (SPS) which will set out the state government's long term vision and strategic goals to 2050. The SPS is intended as an "overarching strategic document that informs all other state, regional and local planning strategies, policies and approvals". It builds upon other strategic planning positions that have been established, such as Directions 2031 (strategic plan for Perth and Peel regions) and the Pilbara Planning and Infrastructure Framework. A number of key initiatives that have been released across government include: • Public Transport for Perth in 2031 (2011) • Strategic Energy Initiative, Energy 2031 (2012) • Western Australian Regional Freight Transport Network Plan (2013) • Pilbara Cities (2012) • Port Governance Review (2012) • Draft State Aviation Strategy (2013).	Infrastructure is broadly delivered through: • the Office of Strategic Projects (within Treasury) – manages significant and high-risk infrastructure projects (non-residential) and is responsible for planning and delivering these projects. Strategic Projects follows the Western Australian Strategic Asset Management Framework to ensure satisfactory delivery; • the Department of State Development – plays a key role through the Lead Agency Framework in facilitating approvals and negotiating agreements between development proponents and state government for significant state projects; and • portfolio Minister – in respect of Public Private Partnerships (PPPs), the Minister responsible for the procuring agency is responsible for the outcomes of each PPP while Treasury – through the Commercial Contracting team (previously PPP team) – has ultimate responsibility for overseeing PPPs, including policy, delivery and accountability.
QLD	Department of State Development, Infrastructure and Planning (DSDIP) leads the planning and coordination role. Key functions include: • strategic planning for land, regional development and priority areas; • infrastructure frameworks / plans to guide infrastructure development; and • priority infrastructure planning. Infrastructure Queensland was recently established and provides advice to government on infrastructure priorities and long term planning. This body is comprised of both private sector and government representatives. Queensland has also announced the role of Property and Infrastructure Cabinet Committee will be expanded to assist to prioritise and deliver infrastructure. The move is aimed at supporting efforts to increase the involvement of the private sector. Key infrastructure plans that have been developed include: • Queensland Infrastructure Plan (2011) • Connecting SEQ 2031 (2011) • Towards Q2 (2008).	The Coordinator General within DSDIP coordinates the provision of public and private infrastructure including: • assessment and approvals of infrastructure projects; • coordinating state development areas; • facilitating planning and delivery; and • administering regulations relating to infrastructure and state development. DSDIP has also established dedicated project entities to assist with the management and delivery of infrastructure (for example LinkWater Projects). It also maintains an infrastructure funding framework for priority development areas. Projects Queensland is a unit within Treasury and Trade and assists in the delivery of infrastructure projects, mainly for projects with the greatest potential for partnership with the private sector.

	Jurisdiction and coordination	Funding and delivery of infrastructure projects
NSW	The NSW Department of Planning and Infrastructure (DPI) is responsible for long term planning and coordinating of infrastructure. In addition, Infrastructure NSW, which was recently established as an independent body, prepares sectoral state infrastructure strategy statements. The Board comprises representatives from both the public and private sectors. The key infrastructure planning initiatives of Infrastructure NSW include the development of the 20 year State Infrastructure Strategy and five year infrastructure plans.	Infrastructure NSW performs the following functions: • evaluates infrastructure projects proposed by government agencies or the private sector; • assesses the risks involved in planning, funding, delivering and maintaining infrastructure, and the management of those risks; • prepares project implementation plans for major projects; • oversees and monitors the delivery of infrastructure projects; • provides advice to government regarding the efficient delivery of infrastructure projects; • advises government on appropriate funding models for infrastructure; and • coordinates the infrastructure funding submissions to the commonwealth government and other bodies. DPI oversees the project planning that may impact on infrastructure. It also plays a role in coordinating major infrastructure funding agreements with developers and state infrastructure contributions.
VIC	Infrastructure planning is developed by the Department of Transport, Planning and Local Infrastructure which integrates planning across transport, infrastructure and land use. Key plans that have been or are in progress of being developed include the: • Metropolitan Planning Strategy (In Progress) • Freight and logistics plan (In Progress) • Victorian Transport Plan (2008) • Melbourne 2030 (2002).	Various teams within the Commercial division of Department of Treasury and Finance (DTF) manage and support infrastructure procurement. Partnerships Victoria is one such team which is responsible for PPPs solely. Some infrastructure projects are administered by the relevant agency (for example VicRoads in delivering road projects). Otherwise, projects may be administered by Major Projects Victoria on behalf of a Department. A separate statutory body may also be established to deliver a specific PPP project (for example. the Linking Melbourne Authority in delivering Penlink). Other teams exist within DTF which manage non-PPP projects (i.e. Alliance, traditional contracting). Partnerships Victoria maintains the state government's policy framework for the provision of public infrastructure through PPPs.
SA	Department of Planning, Transport and Infrastructure (DPTI) is responsible for planning policy in relation to transport and infrastructure, including: • planning and land-use management policy regulation; • transport planning and policy; and • land survey, property valuation and administration services. DPTI is updating the *Strategic Infrastructure Plan for South Australia 2004/5-2014/15* which will identify infrastructure priorities for the next 10 to 15 years. Other plans released include: • South Australia's Strategic Plan (2011) • 30 Year Plan for Greater Adelaide (2010). In addition, South Australia utilises the Resources & Energy Sector Infrastructure Council which provides an advisory and coordination role to the government and private sector on complex resources and energy infrastructure matters.	Infrastructure development is broadly supported through various agencies within government. In the past, some major infrastructure projects have been delivered through the Partnerships SA unit within the Department of Treasury and Finance, for example the New Royal Adelaide Hospital project.

	Jurisdiction and coordination	Funding and delivery of infrastructure projects
New Zealand	The New Zealand government has established a specialist infrastructure unit, the National Infrastructure Unit (NIU), within Treasury to oversee infrastructure policy and planning. Its responsibilities include: • formulating, and monitoring progress on a 20-year National Infrastructure Plan; • setting up frameworks for cross-government infrastructure project appraisal and capital asset management, and monitoring this; and • providing support to the new National Infrastructure Advisory Board. The NUI works in co-operation with other government agencies and provides advice for prioritising infrastructure investments. The Unit will develop its policy advice to the Minister in close co-operation with the Advisory Board. The 2011 National Infrastructure Plan was released on 4 July 2011 to outline the government's vision for resilient and coordinated infrastructure development over a 20-year timeframe.	The NIU works in co-operation with other government agencies and provides advice on methods for assessing infrastructure investments. The NIU also provides support and guidance to government agencies in the assessment and execution of PPPs, in accordance with PPP guidelines.

Contact us

Chamber of Minerals and Energy of Western Australia

Nicole Roocke
Director

Andrew Winter
Manager – Infrastructure

PricewaterhouseCoopers

Andrew Friars
Partner

Jonathan Burns
Director

Oliver Kerr
Senior Manager

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