



28 November 2018

Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Committee Chair,

RE: SUBMISSION TO THE JOINT STANDING COMMITTEE ON TRADE AND INVESTMENT GROWTH - INQUIRY INTO AUSTRADE'S ROLE IN ATTRACTING INVESTMENT IN AUSTRALIA

1. INTRODUCTION

Infrastructure Partnerships Australia is pleased to provide this submission to the Committee on the inquiry into Austrade's role in attracting investment in Australia.

Infrastructure Partnerships Australia is an independent think tank and intelligence unit. We are an executive member network made up of public and private infrastructure organisations and exist to shape public debate and drive policy reform to help Australia achieve the best possible social and economic outcomes.

Due to the focus of our organisation, the content of this submission is limited to the major infrastructure and related investment functions of Austrade. In our submission we outline the important role the Austrade infrastructure function has played in the success of the Australia and New Zealand Infrastructure Pipeline (infrastructurepipeline.org), as well as in attracting international capital and contractors to support our growing pipeline of work.

Due to the important role played by Austrade in the national infrastructure sector, we recommend the major infrastructure and related investment functions should be maintained and expanded as a core effort of Austrade's international and domestic activities.

Austrade plays a vital role in facilitating international understanding of Australia's infrastructure sector, explaining procurement practices and guidelines between jurisdictions, and enabling a greater transfer of foreign skills and expertise into the Australian market. This all helps to heighten competitive tension for the pipeline of major projects, and ultimately benefits Australian taxpayers and the end users of infrastructure.

The importance of infrastructure to the Australian economy cannot be overstated, as it encompasses transport (road, rail, ports and airports), utilities (water, pipelines, energy and telecommunications) and social infrastructure (justice, education, social housing and health). Infrastructure is fundamental to Australia's national success story, and so too is international capital and expertise.

In the context of international investment attraction, we also provide our [2018 Australian Infrastructure Investment Report](#) as part of our submission. The report captures the views and sentiments of international and Australian investors, comprising sovereign wealth funds, pensions funds, fund managers, banks and contractors. The 2018 investment report outlines the major challenges for international and domestic investors in Australia.





2. AUSTRADE HAS LIFTED NATIONAL INFRASTRUCTURE INDUSTRY CAPACITY

Australia's public infrastructure investment pipeline is growing rapidly, with the value of major projects entering the market rising by \$70 billion over the last year alone. In light of the necessary skills, capacity and investment required, Austrade has targeted and supported prospective companies entering the Australian market. Their support to potential entrants includes:

- promoting understanding of the commercial opportunities through infrastructurepipeline.org
- navigating evolving foreign investment and taxation policies
- understanding institutional frameworks and regulations, and
- providing connections into Australian industry.

A contemporary example of Austrade's achievements is exemplified in the delivery of the Commonwealth-funded Western Sydney Airport. We understand Austrade targeted and assisted world leading airport infrastructure contractors, one which was Bechtel Civil. As part of this process, Bechtel Civil was instructed to use infrastructurepipeline.org, where information on Western Sydney Airport and other major projects was provided. Infrastructure Partnerships Australia understands that infrastructurepipeline.org saved Bechtel several months of research and engagement.

Bechtel was subsequently selected as the managing contractor to deliver Western Sydney Airport, as their tender would have ensured the project provided best value for money and delivered the most sophisticated and technologically advanced airport for the Commonwealth.

We also understand that Austrade has supported other foreign companies who have entered the Australian public infrastructure sector in recent years, in addition to the well-established international companies. Contemporary examples include:

- BAM – part of bidding consortia on Cross River Rail
- Besix (through acquisition of Watpac)
- Ferrovial and Cintra – delivering Western Roads Upgrade as part of Suburban Roads Upgrade Program
- GS E&C – part of bidding consortia on Cross River Rail
- Salini Impregilo – part of consortia delivering Sydney Metro Northwest
- Vinci (through acquisition of Seymour Whyte) - part of bidding consortia on Brisbane Metro

Austrade has also supported the entry of various pension funds from North Asia, North America, and Europe, as well as Middle Eastern sovereign wealth funds.

As such we support the current function of major infrastructure as a core focus of Austrade, as the sector needs increased capacity. For instance, we estimate there are 12 major projects with tunneling components worth a combined \$50 billion, planned to enter the market in the next 5 years. Many of these projects will receive Commonwealth financial contributions, and include:





- Snowy Hydro 2.0
- Inland Rail – Toowoomba (Gowrie) to Kagaru Section PPP
- Melbourne Airport Rail Link
- METRONET – Morley to Ellenbrook Line,
- F6 Corridor – Stage 1 – Extension Project
- North East Link – Primary Package PPP
- Western Harbour Tunnel
- Beaches Link Tunnel
- Sydney Metro West – Tunnel – The Bays Precinct to Sydney CBD
- Sydney Metro West – Tunnel – Westmead to The Bays Precinct
- Suburban Rail Loop – South East, and
- North South Rail Link

This level of tunneling infrastructure is unprecedented – and international skills, technology and capacity will be essential in delivery this program of work. Austrade's infrastructure function will play a key role in supporting and facilitating the entry of expert international tunneling contractors.

3. THE AUSTRALIA AND NEW ZEALAND INFRASTRUCTURE PIPELINE (INFRASTRUCTUREPIPELINE.ORG)

What is infrastructurepipeline.org?

Managed, resourced and maintained by Infrastructure Partnerships Australia, infrastructurepipeline.org provides a market-wide view of the investment and construction pipeline across Australia and New Zealand, from project inception to contract award.

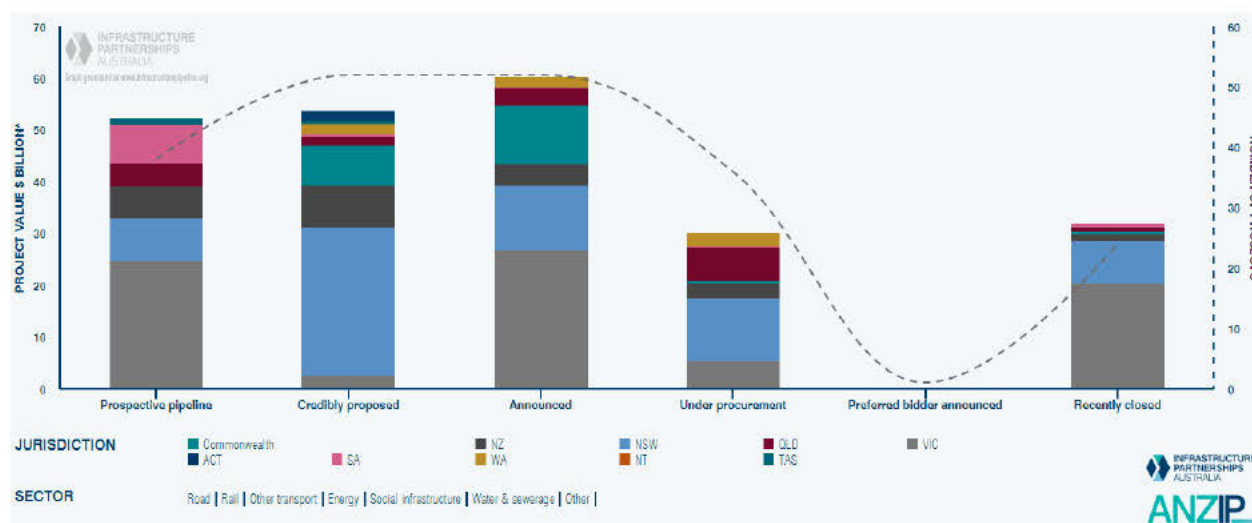
Over 220 projects are listed across transport, social infrastructure and utilities sectors, including asset divestments (e.g. WestConnex equity sell down) and Public-Private Partnerships (e.g. Inland Rail - Toowoomba to Kagaru PPP).

Infrastructurepipeline.org is updated on average 80 times per month, and since launch two years ago, over 200 projects have passed through to construction. As of November 2018, there were circa \$170 billion in projects on the pipeline expected to enter the market over the short to medium term, which is \$70 billion higher than November 2017. There is an additional \$60 billion worth of projects currently under procurement, or that have reached contractual close in the last 12 months (see Figure 1).





Figure 1: Major project pipeline, by status (all jurisdictions)



Source: infrastructurepipeline.org

Infrastructurepipeline.org was born out of the need for a single and accurate national infrastructure investment and construction pipeline. This is because Australia and New Zealand compete globally for skills, innovation and investment. By acting as single gateway into the Australia and New Zealand market, we present the market as 'one' and enlarge the commercial opportunity. The integration of the two infrastructure markets as one was also a key recommendation in Infrastructure Australia's 2016 *Australian Infrastructure Plan* and the New Zealand Treasury's 2015 *Thirty Year New Zealand Infrastructure Plan*.

Moreover, in a global context, the project pipeline in Australia and New Zealand is growing rapidly as governments fund a rising pipeline of work, a consequence of our strong population growth and historical underinvestment in our major urban centers. It is critical for industry and government to understand this pipeline to prepare capacity, target necessary skills development, align procurement and encourage private investment.

Monitoring and understanding the future project pipeline is resource intensive, due to the regular release of budgets, infrastructure plans and changing political priorities. Project information is also often held across the tiers of governments and agencies. Infrastructurepipeline.org alleviates this pressure for domestic and international industry.

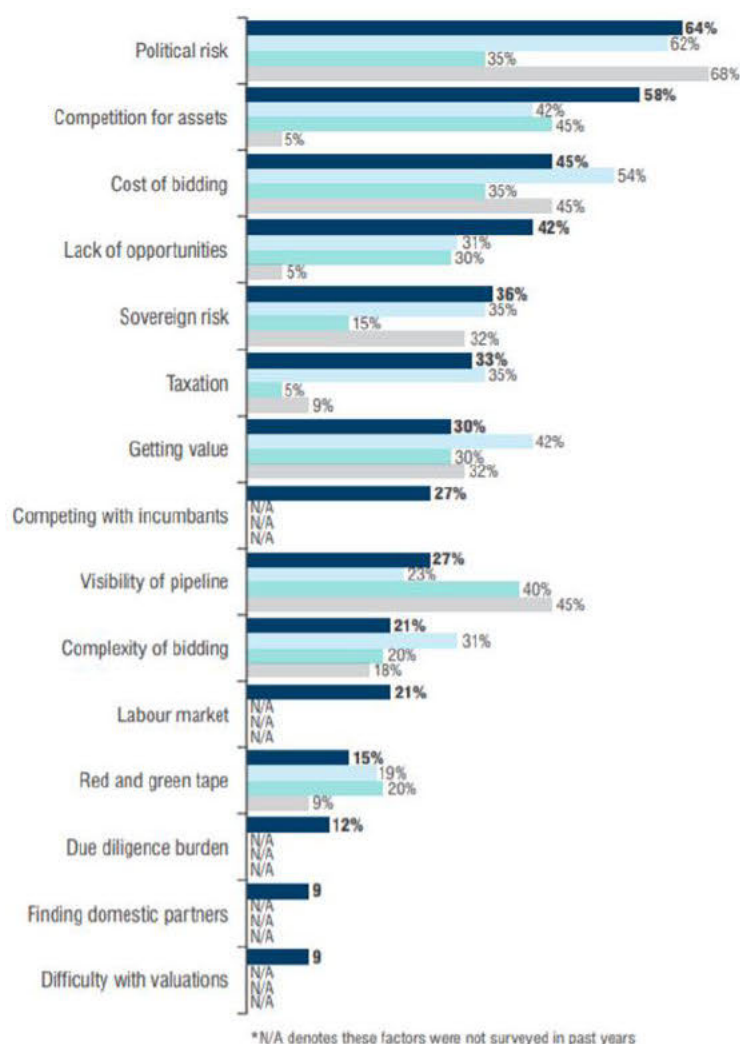
Austrade played a central role in establishing infrastructurepipeline.org – which is addressing one of the major challenges to investing in Australian infrastructure

In 2016, the *Australian Infrastructure Investment Report* revealed that 'visibility of pipeline' was the second biggest challenge to investing in Australian infrastructure over 2015 and 2016. This challenge ranked consistently higher than other challenges such as lack of opportunities, competing with incumbents, the labour market, sovereign risk and red and green tape. By 2018, with infrastructurepipeline.org established, 'visibility of pipeline' diminished in prominence as a major challenge to investing in Australian infrastructure (see Figure 2). This demonstrates the increasing value of the resource to offshore and domestic industry.





Figure 2: Most significant challenges to investing in Australian infrastructure



Source: Australian Infrastructure Investment Report, 2018

In the lead up to the launch of infrastructurepipeline.org in October 2016, Austrade's infrastructure function played a central role in the establishment of infrastructurepipeline.org. Their role included support and advice on pipeline architecture and governance along with funding the upfront capital cost with the New Zealand Treasury. While Infrastructure Partnerships Australia resources the ongoing maintenance of the pipeline, both organisations are credited as official government sponsors in recognition of their initial contributions. The following agencies also provide formal government support:

- Infrastructure Australia
- The Department of Infrastructure, Regional Development and Cities
- The New Zealand National Infrastructure Unit, and
- New Zealand Trade and Enterprise





Infrastructurepipeline.org has been very successful

Since launch, utilisation of the pipeline has grown consistently. October 2018 saw monthly pageviews surpass 20,000 for the first time, as seen in Figure 3 below.

Figure 3: Monthly pageviews, last 12 months



Source: Infrastructure Partnerships Australia analysis of Google analytics data

Infrastructurepipeline.org is promoted through Austrade's global network. Interest from key international markets has been considerable, with almost 5000 users in Asia in the past year, along with strong interest from the USA and Europe. Infrastructure Partnerships Australia also publishes a free monthly Pipeline Report, which has over 12,000 domestic and international subscribers. The Pipeline Report details movements in the pipeline, along with analysis of trends and key updates in the market.

Due to its success, infrastructurepipeline.org is now being upgraded to build on the value it provides to international and domestic market actors. Austrade's continued support and promotion of infrastructurepipe.org will ensure international investors, operators and contractors understand the scale and nature of opportunities.





4. CHALLENGES FOR INFRASTRUCTURE INVESTORS

The 2018 edition of the *Australian Infrastructure Investment Report* has shown that while Australia has typically performed strongly amongst international peers, our reputation has been gradually eroding.

For the first time, Europe and North America have overtaken Australia as a preferred region for investment. In the last year alone, we've seen rapid changes in energy and tax policy that have placed political risk at the forefront of investor perception.

Of the 33 market participants surveyed, who combined currently own or manage \$380 billion in infrastructure investments globally, the majority highlighted political uncertainty, energy and tax as the three key sources of concern for their current and future investment intentions. Key statistics include:

- 87 per cent said the energy sector was full of uncertainty, up from 74 per cent in 2017.
- 84 per cent agreed that uncertainty in Australia's policy and regulatory settings (e.g. energy regulation, taxation policy, competition reviews) is limiting their willingness to invest.
- 64 per cent identified political risk as the most significant challenge to investing in Australian infrastructure – see Figure 4
- 50 per cent say Australia's political landscape is below average – a four year low.

Returning the infrastructure sector to a stable regulatory and policy pathway will ensure international investors consider the Australian market to be the most attractive.

5. CONCLUSION

The level of public infrastructure investment across Australia is unprecedented, with over \$170 billion worth of major infrastructure projects to enter the market in the medium term. Attracting foreign capital, contractors, operators and skills will be critical in delivering the growing pipeline of work. Overseas expertise will also ensure Australia's government receive leading innovation for end users, and that projects are sufficiently competed to offer value for money.

To date, Austrade's major infrastructure and related investment function have been a welcome and important part of our dynamic and increasingly international infrastructure market. Austrade's support and promotion of infrastructurepipeline.org – which has proven to be very successful – also demonstrates Austrade's ongoing capacity and commitment to attract international investment. For this reason, we recommend that major infrastructure remain a core focus of Austrade's activities.

Thank you for your consideration of this submission, if you require further detail please contact [REDACTED]





Yours sincerely,



ADRIAN DWYER
Chief Executive Officer

