



INFRASTRUCTURE  
PARTNERSHIPS  
AUSTRALIA

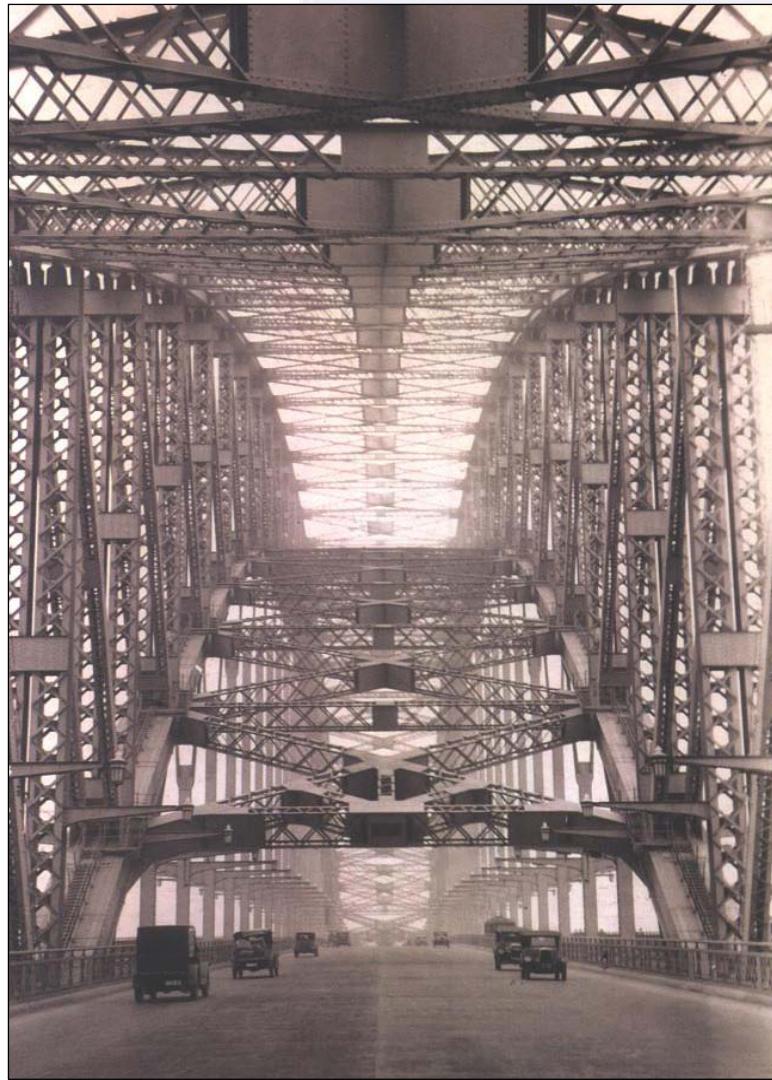
BUILDING AUSTRALIA TOGETHER

# Melbourne Institute, University of Melbourne



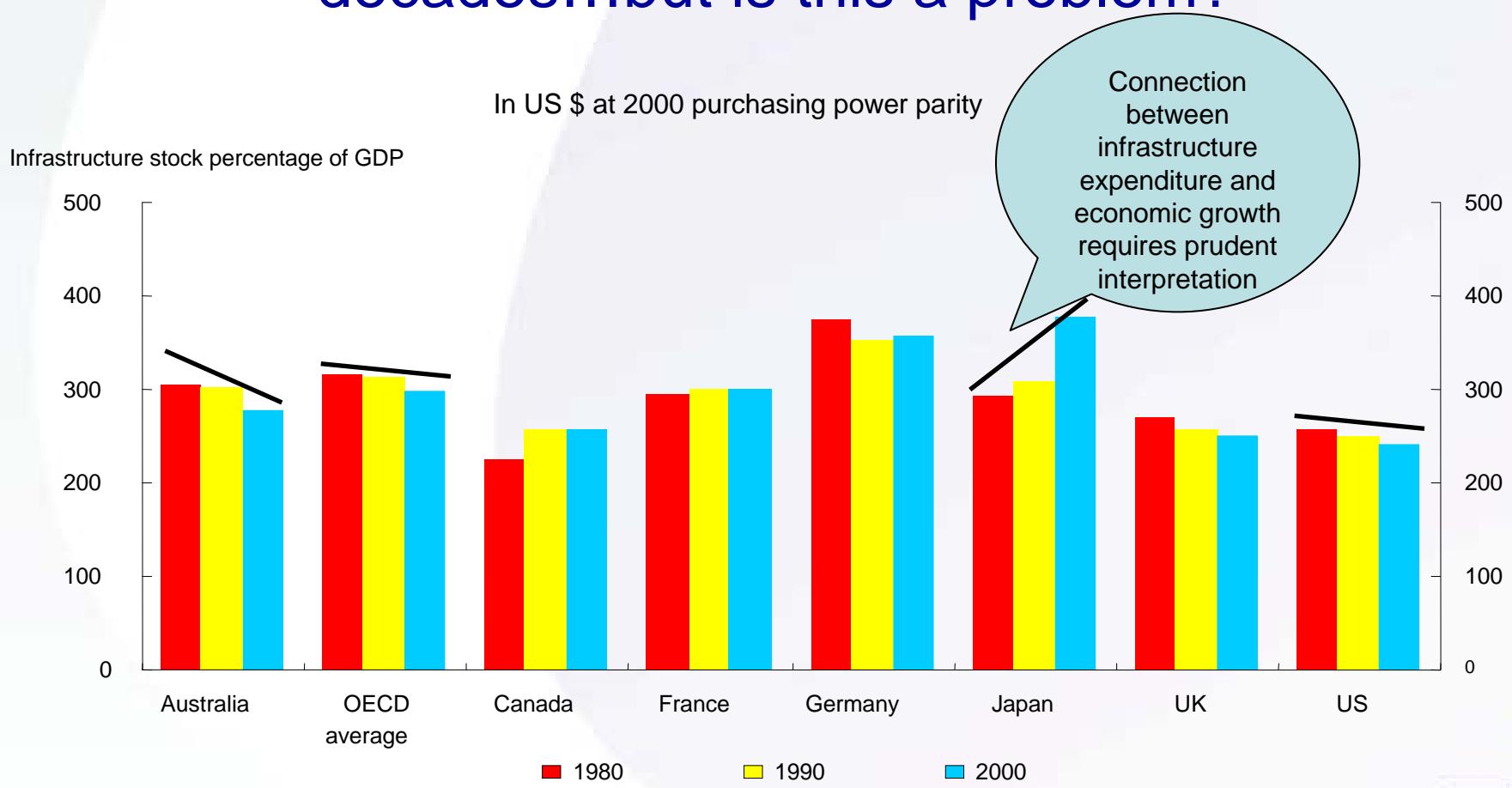
## The Infrastructure Catch up

Garry Bowditch  
Executive Director  
Infrastructure Partnerships Australia  
Melbourne, 28 March 2008



[www.infrastructure.org.au](http://www.infrastructure.org.au)

# Total net capital stock to GDP ratio in Australia and OECD has gradually declined in the past 3 decades...but is this a problem?



Source: Kamps (2006) & Kiel Institute (2006)

# The Dash Board for driving forward an urban infrastructure program?

- The Challenge: What are the critical indicators of performance?
  - How do you know you are successful?



# PPP Study\* Summary

- PPPs demonstrate superior cost efficiency over traditionally procured projects: ranging from 30.8% (from project inception to final outcome) to 11.4% (from contractual commitment to final outcome).
- Time over-runs: Traditionally procured projects were completed 23.5% behind time while PPPs were completed 3.4% ahead of time on average.
- PPPs would create approximately \$6 billion in potential cost savings (cf traditional procurement) over the next decade.

\* IPA Study: Performance of PPPs and Traditional Procurement in Australia, November 2007

# A higher hurdle for Government

- Governments must be prepared to:
  1. Clearly articulate the 'required outcomes' of infrastructure;
    - These objectives must be:
      - Strategic, high level
      - Enduring for decades ahead
      - Insightful & anticipate customer needs
  2. Specify sanctions for not achieving outcomes.
- The absence of these two critical factors will make private provision of infrastructure difficult.

# Even higher hurdle for proponents

- Onus is on private sector to demonstrate it can build and operate infrastructure better;
  - Faster delivery
  - Innovative design and ongoing management
  - Better service, smarter ways of doing it
  - It is not just about saving the government money – third order issue
- Willingness to learn & improve;
  - Admit mistakes
  - Prepared to acknowledge and front the community and share the political risk both upside and downside
  - Profit is a great motivator, but also innovation must be demonstrable and result in better service delivery
  - Celebrate and communicate the successes

# Brutal Facts we must confront

1. Widespread public disquiet about private provision of infrastructure;
  - We need a debate, to engage the community
2. The public struggles to understand why the private companies should make a profit from public infrastructure;
  - Profits pay taxes + motivator to innovate + superannuation savings
  - Reasonable profits
3. Public concern about integrity of large scale interactions between public & private sectors;
  - Scrutiny by bodies like ICAC is fundamental
  - Need for capability building in government to ensure commercial skills exist
  - Transparency & accountability must be championed

# A final thought

The great French Marshall Lyautey once asked his gardener to plant a tree. The gardener objected that the tree was slow growing and would not reach maturity for 100 years.

The Marshall replied, 'In that case, there is no time to lose; plant it this afternoon!'

Thank you