

MEDIA RELEASE

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PUBLIC INFRASTRUCTURE SPENDING REMAINS ANAEMIC, SAY NEW FIGURES

The release of the Infrastructure Partnerships Australia/BIS Shrapnel Civil Infrastructure Metric shows that private mining related projects and the NBN roll-out are masking a continuing shortfall in public infrastructure investment.

“The June quarter shows an underwhelming level of investment in transport and utilities projects, with mining projects and the NBN inflating the headline figures,” said IPA Chief Executive, Brendan Lyon.

“Once you strip out private mining investment, the Metric suggests the tide is still running out for public infrastructure investment.

“Headline transport investment shows only a modest recovery from the last quarter, with a full year average showing transport spending is down 30 per cent on 2010.

“Road investment has slumped, with the four quarter rolling average showing investment at less than half of the Metric’s baseline.

“The massive cost and productivity impact posed by urban and freight network congestion demands more funding for well-considered transport projects, not less.

“But the Metric shows that this is not yet being achieved in practice, with substantial and continuing reductions in transport network investment across the country.

“Telecommunications is a bright spot, with the Metric recording three times trend levels of investment, which reflects the massive taxpayer spend now flowing into the NBN.

“Electricity sector investment remains a concern, with the June 2012 quarter showing that investment is close to the lowest levels in years, running at around a third of 2010 levels.

“The continued slump in electricity partially reflects adjustments for the reduced demand outlook, but it also reflects the chilling impact that carbon policy uncertainty is continuing to have on the National Electricity Market.

“The Metric shows that the policy debate and community expectation of a deeper, wider infrastructure programme has not yet seen the nation turn the corner, and it’s likely to worsen before it gets better.

“The recent round of state and Commonwealth budgets shows that most governments are reducing their capital investment across the forward estimates, because of the decline in revenues, lack of public sector reform and runaway expenses.

“Governments have to shake up their budgets to solve the impasse on infrastructure funding and it’s going to mean more privatisations, more outsourcing and new revenue measures, if we are going to get more and better infrastructure in place.

“Policymakers have to get cracking on budget reforms. We’ve seen some welcome and bold progress in some jurisdictions, but much remains to be done.

“The lead time for major projects is substantial, and Australia cannot afford to squander a year, because it’s a year’s worth of infrastructure that won’t be delivered.

“While the investment levels for mining remain historically high, there has been a clear retreat this quarter. If that trend were to continue in the September and December quarters, then it would paint a worrying picture for the construction sector.

“Mining investments have accounted for a growing share of the construction market and have masked the retreat of public investment in non-mining infrastructure projects since 2010.

“If the gloomier predictions about future commodity prices and volumes proved correct, the resulting reductions in mining infrastructure investment would quickly expose the lack of public investment in other sectors, like transport and electricity.”

The BIS Shrapnel/Infrastructure Partnerships Australia Civil Infrastructure Investment Metric has been in development for more than three years – and provides a unique leading indicator of actual investment in the nation’s infrastructure. The metric draws on a survey of actual work won during the preceding quarter, with the survey capturing around 30 per cent of the market.

< ENDS > Media contact: Michael Bruce - 0438 380 464. For copies of the Metric please visit www.infrastructure.org.au