Good evening,

May I begin by congratulating all the award winners at tonight’s event and, indeed, all of the graduates of the Institute’s program over the past year. The Institute is an important Centre of Excellence in its field, and it is a privilege for me to be invited to address you this evening.

I hope that my topic— the governance framework and recent work of Infrastructure NSW—will be of interest to all of you, whether you are headed for careers in Australia or overseas.

**History of Infrastructure NSW**

Infrastructure NSW (INSW) was created by the O’Farrell Liberal Government in 2011 and its first chairman was former NSW Premier, Nick Greiner, who served a term of two years. I have chaired the Board for the past two years.

INSW is a unique governance framework for the prioritisation and management of public expenditure on physical and social infrastructure. It is the only body of its kind around Australia and differs markedly from Infrastructure Australia and the infrastructure agencies that exist in other states, none of which have the independence of INSW nor its score of responsibilities. I believe INSW is a commendable and, indeed, courageous governance structure aimed at taking much of the parochial politics out of the process of setting the all-important priorities for infrastructure development.

The NSW Government created Infrastructure NSW because the state’s forward-planning for infrastructure was found so sadly wanting in 2008, during the GFC, when Prime Minister Rudd offered the states substantial funding to support urban and regional infrastructure, and it was found that the NSW pipeline of “shovel ready” projects were virtually non-existent.

To ensure that this did not happen again, INSW was created as a statutory corporation, with a board comprising a majority of independent non-executive directors, including an independent chairman, appointed from people with a range of business experiences, and four heads of government departments (Premier, Treasury, Planning and Trade & Industry).
**Key Roles of Infrastructure INSW**

The organisation has five main roles:

- INSW provides a report every five years on the highest priority/highest value public infrastructure projects needed over the next 20 years across NSW. This is a public document to which the Government responds publicly, thereby setting the stage for parliamentary and wider-community debate about infrastructure priorities, based on an independent set of analysis and recommendations. This 20 year infrastructure strategy is updated every five years.

- INSW also provides a private report each year to the Government on the key priorities for the next five years. Those accepted by the Government are then included in the Government’s Forward Estimates, which is published as part of the annual state budget. These projects are, therefore, given public funding endorsement. Over the past four years, the great majority of INSW’s 5-year recommendations have been accepted by the Government and embedded in the Budget Forward Estimates.

- INSW also manages the Restart NSW Fund, a fund set up in 2011 into which the net proceeds after debt repayment from the sale of all public assets are placed. These funds may only be expended with the consent of the board of INSW, for economically valuable infrastructure projects, many of which will in turn create future assets that could be recycled to replenish the fund. At least 30 percent of the Restart Fund is to be allocated to rural and regional infrastructure as distinct from Sydney metropolitan infrastructure. So far, about $8.8 billion has been deposited in the fund as the result of the sale of NSW ports and electricity generating assets and it is expected that some $13–$15 billion from the lease of the “poles and wires” will be added by mid-2016. The Fund also grows by retained interest earnings. In addition, in an extremely foresightful policy, the full proceeds of the sale of NSW State Infrastructure Bonds (known as Waratah Bonds) are deposited in the Restart Fund together with any revenue receipts above budget estimates on key state taxes such as payroll tax and property tax. In the year to June 2014, for example, over $600 million was deposited in the fund as a result of the over-budget receipts of stamp duty on property transactions in 2013/14. These “windfall” tax receipts are, therefore, dedicated to create new long-term physical assets rather than being applied to more transient recurrent expenditures.

- Next, INSW can also be nominated by the Premier as the authority responsible for the delivery of specific infrastructure projects. This will normally only happen if projects are especially complex, involve complicated cross-agency coordination, or where agencies do not have strong project management skills. INSW is currently overseeing the rebuilding of public facilities at Darling Harbour in a $2 billion public-private partnership which will create a new entertainment centre, a new convention centre, a new exhibition centre, a...
new five-star hotel, several apartment buildings and a student housing complex which will rejuvenate the entire Darling Harbour precinct by 2017.

- Lastly, and importantly, the Cabinet commissions INSW to undertake delivery assurance and efficiency reviews of major capital projects being managed by all government departments (all projects over $100 million) and reviews of policies that may improve the cost-efficiency and delivery efficacy of those projects such as the management of contingency allowances, the integration of planning across departments, and the potential for private sector investment.

So you can see that there is a clear intent behind the creation of INSW—to provide a thoroughly independent review and recommendations on infrastructure priorities, informing the public and intra-government debate on priorities, and lifting the decisions on project selection above the cut and thrust of parochial politics.

Although our remit is to make recommendations on all infrastructure projects costing in excess of $100 million, the Government in its wisdom has also sought to “package” smaller projects to help take the local politics out of the decisions on priorities. For example, INSW has been tasked with recommending how packages of $100 million allocated for the replacement of bridges on country roads should be prioritised. This helps the responsible minister step aside from the lobbying of local MPs and local councils who must present their case to INSW, rather than to the minister.

With a small team, capped at 20 people, plus a modest budget for engaging consultants, I believe INSW has provided enormous value to the people of New South Wales over the past four years.

**The State Infrastructure Strategies 2012 & 2014**

The initial State Infrastructure Strategy (First Things First) was delivered after less than two years and published in November 2012 (2012 SIS).

The Government publicly adopted about 80 percent of the recommendations in the 2012 SIS. Two years later Premier Baird asked INSW to update the strategy and to advise how the prospective proceeds of $20 billion (including federal government incentive payments of 15 percent, plus interest) from the lease of 49 percent of the State’s electricity distribution assets (the “poles and wires”) should be spent. Our State Infrastructure Strategy Update 2014 was delivered and wholly adopted by the government last November (2014 SIS).

I would like to mention some of the key projects and themes recommended in these two reports, both of which are public documents and available on the INSW
website.

The 2012 Strategy focused on several public rail transport projects and one major highway project (WestConnex) which addressed numerous congestion challenges across Greater Sydney. The major rail projects were the NorthWest Rail Project (approximately $8 billion) and the Sydney Light Rail Project to provide a new tram from Circular Quay via Central to the University of NSW in Kingsford and the Prince of Wales Hospital in Randwick (approximately $2 billion). These were priorities identified by the incoming Liberal Government prior to the creation of NSW and the 2012 SIS. Both are now under construction.

The major road project recommended in 2012 SIS was the WestConnex Motorway—a new road to bypass Parramatta Road, connecting Western Sydney to the airport and to the M5 Motorway to the south west, via a largely underground motorway loop to be constructed in three stages over the course of 10 years for a cost of about $11 billion. This project was designed to solve four major congestion issues around our city, namely taking traffic off Parramatta Road from the city to Parramatta, a road which crosses 10 local government areas and is, by any standards, a third-world traffic artery; widening the M4 Motorway; duplicating to eight lanes the inadequately sized M5 Motorway from Sydney Airport to the south west, and upgrading the access pinch points around Sydney Airport and Port Botany—Sydney’s two most important transport hubs.

Construction of this project has commenced with the M4 widening stage which will bring the M4 partially above ground and partially tunnelled to link with the City Link road near Rozelle. That stage has been funded approximately equally by federal and state government to the tune of around $3 billion all up. The intention is to monetise the traffic toll on that completed section, once proven, thereby generating funds for the second and third stages. The second stage will be the duplication of the M5 by creating a new tunnel from Arncliffe to the Sydney Airport, and this section will be largely funded by state equity and debt funds, together with a $2 billion subordinated loan from the Commonwealth, and possibly private debt, all of which will be repaid by 2024 from the sale of the tollway concession for the combined new and old M5 Motorways. Final plans for the design and funding of the third connecting stage of WestConnex have yet to be completed.

Another project advocated in the SIS 2012 but not recommended for government funding in the 10 year timeframe was what is now known as the NorthConnex project, a new nine kilometre motorway tunnel linking the M2 near Beecroft to the M1 at Waitara, relieving some 50,000 vehicles a day from Pennant Hills Road, another key congestion pinch-point. This project will, however, be constructed by the private sector following an Unsolicited Proposal submitted by the Transurban Group that passed the rigorous uniqueness test required in NSW to permit the
Government to contract with a single bidder rather than conduct a competitive tender. The Unsolicited Proposal process is another welcome and sensible piece of infrastructure governance adopted in NSW, and the NorthConnex project is an early win for this process.

By contrast with the focus on roads in the SIS 2012, the 2014 SIS focused more on urban transport. I say this although it is a matter of fact that more people travel on buses in Sydney than they do on trains, light rail and ferries combined, so an upgrade of the road networks such as WestConnex will be an enormous boon to public transport although it is often misrepresented otherwise. The prospect of a 20 minute, no-traffic-lights journey from Parramatta to Sydney Airport will be a major advantage for people in western Sydney over the next few decades before there are a significant number of passenger aircraft movements at the proposed western Sydney airport at Badgerys Creek.

The 2014 SIS focused on the major upgrade to Sydney’s rail network known as the Sydney Metro Rail Project which will bring the driverless, computer-operated, single deck subway style trains from the North West of Sydney (currently planned to terminate at Chatswood) through several new stations on the North Shore, under the Harbour through a new rail tunnel, with new CBD stations at Martin Place and on Pitt Street, via Central all the way to Bankstown, creating a semi-circle metro service from the north west to the south west. The project may also include new stations in the Waterloo or Darlington area. This is an $8 billion project which, subject to finalisation of its business case, will be the centrepiece of expenditure of the “poles and wires” proceeds. It will have the huge benefit of relieving the growing constraints of our two most crowded stations in Sydney’s rail network, Town Hall and Wynyard, and the limitations of the existing rail crossings on the Harbour Bridge, all of which will exceed passenger needs within the next 10 years given the expected passenger growth rates which over the past decade were around 3 percent per annum.

The 2014 SIS also recommended extensions to the WestConnex Motorway in the form of a Southern Connector to the suburbs along the Botany Bay shore and a the connection from the WestConnex Motorway to the M2 at the top of North Sydney via a new Western Harbour Motor Tunnel. This Western Harbour Tunnel project will cost around $4.5 billion and could not be funded by the “poles and wires” proceeds, but was proposed, like NorthConnex, as a potential privately funded project given the likely traffic flows and its potential to bypass the increasingly congested Eastern Distributor, the Harbour Bridge and Harbour Tunnel, taking traffic from the north to the south of Sydney without going via the CBD.
Key Themes of the 2014 SIS

Let me conclude by mentioning three other key themes highlighted in the 2014 SIS which I believe are of critical importance to productive infrastructure prioritisation. These were as follows:

1. Optimising the use of existing infrastructure assets.
   The importance of this is often overlooked by politicians keen to cut ribbons on new trophy projects rather than to make incremental improvements in the effectiveness, efficiency and use of existing assets. Initiatives in this regard include management of pricing to relieve peak congestion on roads and rail, and the use of new digital technologies to improve the productive use of existing assets. I could cite many examples but one good one is the recommendation that $300 million be spent on Smart Motorways technologies designed to feed traffic smoothly into fast-moving motorways to improve overall travel times. Traffic modelling studies and actual experience overseas shows that effective use of this technology can improve the capacity of motorways at peak by 20-30 percent, the capacity equivalent of a full new traffic lane but at vastly lower cost.

2. Intensifying land use around transport and infrastructure.
   A good example of this is the importance of integrated land use planning and zoning to densify housing and commercial development around existing transport infrastructure. This is something which has been too little evident in Sydney and contrasts adversely with the approach taken in better planned communities such as Singapore and Hong Kong. The potential for the WestConnex project to create improved amenity for housing along the existing Parramatta Road is a good example. Nine out of the ten local government councils along that stretch of road have now signed an agreement to cooperate with UrbanGrowth NSW to improve the planning along this route to allow greater densification and better urban amenity.

3. Coping with growth in Western Sydney
   It is estimated that over the next 20 years an additional 1.6 million people will come to live in Sydney. The great majority of them will find housing west of the city. Many of the transport and other expenditures recommended in the 2014 SIS will help make Parramatta a more attractive, viable second CBD for Sydney, thereby reducing the amount of transport congestion right across the metropolitan area by reducing the need for many people to travel so far from home to work. One of the great insights for me in the preparation of the 2014 SIS report was the finding that making Parramatta closer to the existing CBD in transport terms will make it an even more desirable second CBD for businesses, thereby enhancing its attractiveness as a place for people to live and to work.
I can’t do full justice to these topics in the time I have allowed this evening, but I do hope this description of our work at Infrastructure NSW has been of interest to you. I commend INSW’s website to you and I commend the INSW model to those of you who come from interstate or overseas as a model worth emulating to bring better and more objective governance to the critically important decisions that governments all around the world need to make to improve the quality of life, efficiency and competitiveness of our cities and our nations.

Thank you.