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The changing infrastructure model

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EDITORIAL THE CHANGING INFRASTRUCTURE MODEL

Welcome to this first edition of the Public Infrastructure Bulletin published by the new Australian Centre for Public Infrastructure (ACPI) at Melbourne University Private.

The establishment of the Centre is very timely. The way governments provide facilities and services is changing rapidly in response to the challenges of modernisation, globalisation and restructuring of national economies.

In the past, governments at all levels (federal, state and local) decided something was needed, gave it a priority and set about buying, building, installing and operating it. They used in-house management, a public sector workforce and capital raised by either taxes or a bond issue. Now, the options range through 'do-it-yourself' to complete privatisation and outsourcing.

In Australia it is not only structurally that things have changed. The political equation is also different in a subtle and significant way. The agreement reached between the Commonwealth and states to

smooth through the introduction of the GST in 1998 has significantly changed the basis on which Commonwealth/state financial relations operate.

Dollars once allocated by the Commonwealth to the states on a specific purpose basis now flow directly as untied funds with 'no strings attached'. At first glance the model is highly attractive to the states as they are free to use these funds according to their own priorities and guidelines rather than those imposed by the Commonwealth.

But, as we know, there is no such thing as a 'free lunch'; there is always devil in the detail. In this case, along with the funds comes a shift in responsibility to provide facilities and services that have traditionally been supplied by the Commonwealth.

If the Federal Government begins to withdraw further from funding public infrastructure (as the States are now beginning to claim) there will emerge a complete rearrangement of federal/state financial arrangements and the structural responsibilities that go with them.

There is now the social paradox of a large pool of capital seeking projects in which to invest and a myriad of public projects going nowhere because of a lack of funding.



Members of the Australian Centre for Public Infrastructure promote cross-disciplinary and industry dialogue about public infrastructure. From left: Ms Jane Stephens, Mr Neil O'Keefe, Mr Dennis O'Neill, Mr David Lloyd, Dr Colin Duffield, Ms Toni Campbell. Absent: John Fitzgerald, Danny Graham.

We are seeing the beginning of major delegation to the states of national responsibilities to provide important infrastructure without an integrated and coordinated national approach. As a result state and territory governments (all Labor) are having to decide their own policies and systems for public procurement against a backdrop of the Federal Government (Liberal/National) adopting a different approach altogether.

Cecilia Hilder in her article strongly puts the AusCID (Australian Council for Infrastructure Development) view that Australia needs more national coordination, not less and it is hard to find fault with her logic.

Australia also has another problem in this field not experienced before. There is now the social paradox of a large pool of capital seeking projects in which to invest and a myriad of public projects going nowhere because of a lack of funding. Bridging the gap between capital and projects is a new 'facilitation' challenge for Australia.

The problem (not a bad one to have) arises from the 1986 Hawke Government decision to establish compulsory superannuation contributions in the Australian economy. The superannuation pool has grown—from \$40 billion to something now approaching \$750 billion—to the point where there is now a surplus of cash and a perceived shortage of projects in which to invest.

The latter is clearly a nonsense. I prefer to think that we are still learning to apply a capital pool of this kind to our economy. Because of the scale of the investments this 'facilitation' needs to be something we become seriously good at doing.

It is in this conjunction of three forces—governments changing the way they do things, the variety of approaches to be adopted and the need for highly skilled facilitation—that the true role of the ACPI will emerge.

David O'Reilly in his contribution shows us that the debate on PPPs is not unique to Australia. It is live and hot in many western economies and we should keep our focus on the projects and their delivery rather than getting hung up on particular labels and terms.

This is a period of transition. Names and labels will come and go. In the late 1980s 'personnel and staff' became 'human resources' and now are in danger of being called 'people' again in organisations. Terms like 'infrastructure' and 'PPPs' are high fashion now but they will be called something else in the future. The point is that labels don't matter but procedures, structures and activities do and we need to be sure that we focus on making it work to secure maximum public good in the outcomes.

As the political parties work their way through these processes of reform and change, the ACPI has the opportunity to play a lead role in making sure that a solid core of research, intellectual rigor, skill and expertise is in place to assist both sides of the partnership (public and private).

Colin Duffield demonstrates the strength of thinking already coming to the task at the ACPI and confirms our instinct that public infrastructure will be provided in the future via a wide range of delivery systems. Our challenge is to subject them all to rigorous scrutiny and research to ensure that sound decisions based on objective, quality analysis become the norm. Only then will we be able to confidently implement the projects using a new body of people with knowledge and expertise in the field.

The ACPI has stepped out to provide leadership in the field. It is an exciting beginning.

Neil O'Keefe
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Industry Advisory Committee
Australian Centre for Public Infrastructure