HawkerBritton

Government Relations Strategy

Labor's Empower Infrastructure Australia Policy

October 2015

On 8 October 2015, The Hon Bill Shorten MP, Leader of the Opposition, announced Labor's plans for Infrastructure Australia. The announced policy changes to Infrastructure Australia (IA) aim to give IA capabilities to structure deals, engage private sector partners, work closely with state governments, and utilise a new $10 billion financing facility to get the early stages of commercially viable projects underway.

More information on Labor's plans to Empower Infrastructure Australia is available here.

Bill Shorten's media release is available here.

The Hawker Britton Agency Snap Shot on Infrastructure Australia is available here.

A New Financing Mandate for Infrastructure Australia

A Shorten Labor Government commits to establishing an independent, funded project broker that is able to structure projects and work programs to reflect risk. This initiative aims to provide greater certainty for investors and incentivise States to propose projects and clear approvals.

Under a Shorten Labor Government, IA will be given a new Financing Mandate that will mobilise private sector finance by participating with loans, loan guarantees and equity investment.

IA will only offer loans, loan guarantees and equity where there is market failure and where projects are expected to deliver a return on its investment.

Labor envisages that the Commonwealth's exposure will be minimised so that once a project is financeable, IA would transfer its equity or debt interests to long term investors such as super funds to maximise the return to the Commonwealth.

Labor aims to remove any unintended consequences of IA taking all the upfront risks, by making sure that the Commonwealth's involvement is priced based on what the stage and risk profile the project is at.

Independent Expert Panel to be Established

A Shorten Labor Government commits to developing these expanded functions in consultation with experts and industry.

In its first 100 days, a Shorten Labor Government will establish an independent Expert Panel to determine the revised governance structure of Infrastructure Australia and to develop the Financing Mandate. The Expert Panel will include eminent Australians representing a cross section of federal-state relations and cross-parties.

The Expert Panel will provide its report within six months of Labor forming Government.

The proposed financing model, and the process for establishing the new body, replicates the process for the development of the $10 billion Clean Energy Finance Corporation (CEFC) which is drawing in significant private sector funding to the clean and renewable energy sector.

Projects that Labor will support

The initial list of projects that Labor will support include:

- The Airport Rail to Badgerys Creek, connecting the Western and South lines.
- The Melbourne Metro.
- The Cross River Rail project in Brisbane.
- The 'G' Light Rail on the Gold Coast.
- Planning work on the Ipswich Motorway Darra to Rocklea.
- Tasmania's Midland Highway.
- Perth public transport.
- Gawler Line electrification in Adelaide.
- The Pacific and Bruce Highway packages, projects that have been underway for several years, but need to be fast tracked to completion.

Financial Implications

Labor is committing $10 billion in capital to this fund. The proposal assumes that the strengthened Infrastructure Australia will initially be capitalised with the legacy funds in the Building Australia Fund ($3.6 billion as at 2015-16 Budget). A further injection of $6.4 billion into IA from the Commonwealth will be funded through issuance of additional government borrowing (Commonwealth Government Securities).

This additional funding is off Budget and the borrowings to fund this will be accounted for in the Commonwealth balance sheet as a liability. Infrastructure Australia will invest this funding in assets that will generate a return to the Commonwealth. The PBO has costed the budget impact of this capital injection at $100.0 million over the forward estimates (representing the public debt interest cost).

HB