

35 percent slump in infrastructure investment

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Australian Infrastructure Metric shows drop in new investments for 2012/13 financial year

Infrastructure Partnerships Australia (IPA) releases report showing a 35 percent fall in public infrastructure investments across the nation compared with the previous financial year.

IPA Chief Executive Officer Brendan Lyon says the latest figures show a modest rally in June but a slowing overall.

“The full year trend paints a sobering picture of slowing investment, as governments rub up against their debt ceilings and reduce forward investment,” Lyon says.

The Australian Infrastructure Metric (AIM) is a series of research reports IPA creates in collaboration with BIS Shrapnel, a business research and forecasting firm, and Australia’s major civil contractors.

It measures total civil infrastructure investment across Australia as well as the contracting arrangements employed to deliver infrastructure.

Lyon says this year’s investment was around half of the previous year’s levels, and substantially behind what should be invested to bolster the economy’s competitiveness.

“The June quarter also confirms a third consecutive quarterly retreat for

mining investment, with the Metric reading at its lowest-ever level for this sector.”

Lyons believes the results are consistent with recent layoffs in the construction industry.

“Australia is at risk of losing highly skilled labour that could and should be moving off mining sites in the Pilbara and the Bowen Basin, and on to the major transport and other infrastructure projects needed across the major states.”

With the capital-intensive phase of the mining boom behind Australia, Lyons says governments need to invest in economic infrastructure to equip the business sector to compete in global markets.

Despite Commonwealth investment only representing 10 percent of total public investment, Lyon says the election of Abbott brings a welcome commitment to increasing investment in transport infrastructure by around 25 percent over forward estimates.

“Kick-starting the infrastructure market will need a detailed and deep discussion about how public finance can be reordered to allow for a sustained increase in capital investment across all levels of government.”

While the Metric shows Australia hasn't yet got it right on infrastructure spending, it points to a very important role for the new government to lead from the front on complex reform.