



Infrastructure funding and the Restart NSW Fund Bill 2011

by Daniel Montoya

1. Introduction

In June 2011, [Infrastructure Australia](#) submitted its most recent infrastructure update to the Council of Australian Governments. The report sets out its message in much "stronger terms" than previous reports, arguing that:

... there is a sense that our infrastructure networks are barely adequate for current needs, and that they are beginning to impose significant, long-term costs ... There is a powerful need for change, especially in the way we fund our infrastructure ...¹

The report identifies the funding challenge as one of the four key infrastructure-related challenges facing Australia. According to the report, the funding challenge is a result of:

... the failure of governments to lead a community debate and agreement on necessary changes in the way the nation funds the development and operation of our key infrastructure, especially in the transport sector.²

Infrastructure Australia consequently called for "a deeper, more mature public debate about infrastructure planning and investment decisions."³

In NSW, infrastructure funding was a significant issue in the 2011 election campaign. The Coalition's election policy proposed establishment of two infrastructure funds: the [Hunter Infrastructure and Investment Fund](#); and [Restart NSW](#), a capital fund for essential infrastructure. Restart NSW was to be oversighted by a new infrastructure body – Infrastructure NSW.⁴ Infrastructure NSW was established by the [Infrastructure NSW Act 2011](#) on 27 June 2011 (see [E-Brief No 5/2011](#)).

The Coalition proposed three funding sources for Restart NSW: windfall tax revenues; additional borrowing, including new Waratah Bonds; and proceeds from the long-term lease of Sydney's Desalination Plant.⁵ On 22 June 2011, the NSW Government introduced the [Restart NSW Fund Bill 2011](#) in the Legislative Assembly. As of July 2011, the Bill is yet to be debated.

Prior to examining the [Restart NSW Fund Bill 2011](#), this e-brief canvasses the five infrastructure funding models available for infrastructure procurement. It also summarises Federal and NSW Government infrastructure funding in NSW and outlines recent NSW Government

discussion about the infrastructure funding models it may adopt. Although local government also plays a significant role in procuring, funding and maintaining infrastructure, it is beyond the scope of this paper to consider this in any depth.⁶

2. Types of infrastructure

Infrastructure type – either economic or social – is a key factor in the choice of infrastructure funding model. The NSW Government has defined *economic infrastructure* as:

Fixed assets that support economic activity and development in a fundamental way. Typical examples of economic infrastructure are networks of roads, telecommunication facilities, airports, ports, water storage distribution and sewerage, railways, electric power generation and distribution facilities.⁷

The Government proposes the following definition of *social infrastructure*:

Although loosely used, this term generally refers to items of physical infrastructure that aid the provision of social, rather than economic or industrial, services. Hospitals, schools, police stations, day care centres and prisons are examples of social infrastructure.⁸

Economic infrastructure may be self-funding to the extent that revenues generated using instruments such as tolls or other user charges cover costs. In contrast, social infrastructure projects are usually paid for using public money.⁹

Additional factors that may influence the choice of infrastructure funding model include: value for money;

maintaining the public interest; risk; and the cost of capital.¹⁰

3. Infrastructure funding models

Five infrastructure funding models have been identified in the literature:

- Government debt;
- Taxes;
- User charges;
- Producer levies; and
- Public Private Partnerships (PPPs).¹¹

The first four models rely on various funding sources from within the public sector. In contrast, PPPs rely on borrowing or equity contribution from private sources.¹²

3.1 Government debt

Governments have traditionally funded long lived public infrastructure assets with long-term debt instruments such as bonds. An often-cited advantage of using public debt to finance infrastructure is that it involves a lower cost of capital i.e. governments are generally capable of borrowing at lower interest rates than the private sector. An alternative perspective is that the risks associated with such borrowing are effectively underwritten by taxpayers.¹³

While countries like the United States and Canada continue to issue specific-purpose bonds to finance infrastructure, such bonds were phased out in Australia by the mid 1980s.¹⁴ In NSW, infrastructure funding may be sourced from TCorp issued non-specific bonds.

The use of debt is affected by fiscal policy: in NSW, the [Fiscal Responsibility Act 2005](#) sets medium

and long-term fiscal targets for Government debt levels.¹⁵

3.2 Taxes

State taxes fund infrastructure in NSW via the Consolidated Fund (the general fund out of which annual budget appropriations are made). A range of State taxes exist, including payroll tax, stamp duties and land tax. In addition, local government is able to raise infrastructure funding through municipal rates.

According to some experts, funding infrastructure investment primarily from tax revenue is one of the fairest means of financing infrastructure, as the public benefits are generally widely shared.¹⁶ Further, infrastructure investment using tax revenue is often presented as fiscally responsible, financially prudent and an important condition by which a high credit rating may be maintained.¹⁷

3.3 User charges

User charges can include fares, tolls or tariffs, with charges normally linked to the cost of service provision. They differ from taxes in a number of respects. For example, users can reduce their costs by reducing their use. User charges may be reinvested in the service.

The capacity for user charges to cover infrastructure capital, operational and maintenance costs depends on a number of factors, including infrastructure type, the policy context and operating environment. Most public utilities, such as water and electricity, raise some revenue from user charges and access fees. However, these are a limited financing option for large scale projects. The majority of these projects are financed

through borrowings or capital injections from the government.¹⁸

3.4 Producer levies

Producer levies are charges that are applied to the suppliers of public infrastructure services. Development contributions are an example of this approach in use across Australia. In NSW, development contributions are payments made by a developer to a consent authority to contribute to shared local infrastructure, facilities or services and certain types of State infrastructure.¹⁹

Development contributions have grown as a source of funding for urban infrastructure, having been used to fund social and economic infrastructure, including parks, affordable housing and roads.²⁰ However, the effectiveness of development contributions has been debated in the literature. For example, some argue that development contributions reduce housing affordability, particularly for low income and first home buyers.²¹

3.5 Public Private Partnerships

The [National Public Private Partnership Guidelines](#) use the following definition of a PPP:

A PPP is a long-term contract between the public and private sectors where government pays the private sector to deliver infrastructure and related services on behalf, or in support, of government's broader service responsibilities.²²

PPPs rely on borrowing or equity contributions from private sources.

PPP models vary substantially, each involving different degrees of private sector participation.²³ In Australia,

NSW and Victoria have been the main users of this financing vehicle. According to the Productivity Commission, recent growth in PPPs is due in large part to:

... the scope to bring in private sector management skills, the opportunity that bundling design, construction and operation, or parts thereof, provide to improve efficiency and the ability to bring forward the provision of the infrastructure service.²⁴

However, not all PPPs have proved to be entirely successful, for example the Cross City Tunnel in Sydney.²⁵

3.6 Evaluating infrastructure funding models

Two studies provide examples of the methodologies that can be used to evaluate the strengths and weaknesses of different funding models.

First, the (2003) Allen Consulting Group paper [Funding Urban Public Infrastructure](#) evaluated the five funding models according to seven criteria:

- effectiveness;
- efficiency;
- equity;
- stability/reliability of the revenue base;
- administration costs;
- compliance costs, certainty and transparency; and
- stakeholder support.²⁶

A qualitative analysis using these criteria ranked the five models in the following order from most to least favoured (the first three of which were ranked equally):

- Government debt;

- Taxes;
- User charges;
- PPPs;
- Producer levies.²⁷

A quantitative analysis performed using the [MMRF](#) – a dynamic multi-regional, multi-sectoral general equilibrium model of the Australian Economy which is used by many policy advisors, including the NSW Treasury – ranked the five models in the following order from most to least favoured:

- Government debt;
- PPPs;
- Local Government taxes;
- Aggregate State taxes/user charges;
- Producer levies.²⁸

Second, the (2009) Productivity Commission paper [Public Infrastructure Financing: An International Perspective](#) evaluated the five funding models according to the following three criteria:

- Risk management – the assignment of non-diversifiable project risks and management of the overall project risk;
- Transaction costs – the cost of arranging and managing finance, and costs associated with delay or uncertainties with availability of finance; and
- Exposure to market or other disciplines – the extent to which borrowers and lenders share, signal and can act on information on project prospects and risks in the investment decision.

The Productivity Commission paper identified strengths and weaknesses for each model using these criteria, but did not rank the models.²⁹

4. Federal Government infrastructure funding in NSW

The Federal Government provides funding for social and economic infrastructure. Social infrastructure (such as social housing, hospitals and schools) is funded by specific purpose payments to the States and by such programs as the [Building the Education Revolution](#) program.

Economic infrastructure is funded through several National Partnership programs:

- The [Nation Building Program](#), which includes the [Roads to Recovery Program](#) and [Black Spot Program](#);
- The [Building Australia Fund](#); and
- The [Regional Infrastructure Fund](#).

According to the 2011-12 Federal Government budget papers, in 2010-11 the Federal Government paid the NSW Government \$1.33 billion for economic infrastructure projects under the above programs (see Table 1). This is projected to increase to \$2.16 billion in 2011-12 before dropping to \$1.8 billion in 2012-13.

Additional Federal infrastructure funds are paid to NSW local governments under National Partnership programs. In 2010-11, this amounted to \$85.7 million from three programs: the [National Partnership to Support Local Government and Regional Development](#); the [Nation Building Program](#); and the [Regional and Local Community Infrastructure Program](#). These payments are projected to drop to \$21 million in 2011-12 and \$5.4 million in 2012-13.³⁰

Table 1: Federal Government infrastructure funding in NSW³¹

Program	Funding (\$m)		
	10-11	11-12	12-13
Regional Infrastructure Fund	2.0	0	0
Interstate road transport	35.3	37.3	39.2
Nation Building Program			
Rail component	3.0	94.4	235.6
Road component	719.6	1,035.4	837.8
Black spot projects	14.3	24.1	19.1
Off-network projects	24.9	15.6	47.5
Supplementary component	6.8	1.0	0
Heavy vehicle safety and productivity	2.2	7.1	0
Roads to Recovery	94.8	97.5	97.5
Building Australia Fund			
Road component	432.0	848.0	490.0
Total	1,334.9	2,160.4	1,766.7

5. NSW Government infrastructure funding

Infrastructure investment and maintenance priorities in NSW are set by key documents, such as annual Budget Papers and the State Infrastructure Strategy.

Infrastructure finance has traditionally been provided by public funds. In NSW, infrastructure investment is sourced from government debt, user charges, State taxes and producer levies. Another major source is federal funds, as indicated in the previous section. Over the past two decades, private finance, in the form of public private partnerships (PPPs), has also provided a significant source of funds for infrastructure projects in NSW.

5.1 The State Infrastructure Strategy 2008-09 to 2017-2018

According to the 2010-11 NSW Budget Papers, the [State Infrastructure Strategy 2008-09 to 2017-18](#) (SIS), published in 2008, sought to:

- link long-term metropolitan and regional planning strategies with the four-year budget cycle and final project approvals;
- assist with understanding infrastructure needs and funding constraints over the medium-term; and
- carefully manage infrastructure funding to ensure compatibility with State fiscal targets and the triple-A credit rating framework.³²

According to the SIS, "capital investments are ultimately funded by either taxes or user charges."³³ Private finance or debt finance is therefore used to bridge any timing mismatch between capital expenditure and the receipt of funds from these sources.

5.2 Infrastructure investment and maintenance

The [2010-11 NSW Budget Papers](#) projected a total investment in infrastructure of \$16.6 billion in 2010-11, \$8.9 billion of which was budgeted for the Public Trading Enterprise (PTE) sector. Of this total, \$12.9 billion, or around 78 per cent, was allocated to transport, electricity, education and housing.³⁴

In June 2009, the State's infrastructure across both the general government and PTE sectors had a value of \$210.9 billion. By June 2010, this was estimated to have risen to \$224.9 billion. In June 2009:

... the largest component of these assets was infrastructure systems such as railways, roads, ports, dams, pipelines, etc (50 per cent), with the balance comprising land (23.4 per cent), buildings (21.1 per cent), and plant and equipment (5.5 per cent).³⁵

Maintaining these assets cost the general government and PTE sectors a total of \$4.45 billion in 2009-10. This was projected to increase to \$4.56 billion in 2010-11.³⁶

5.3 Capital expenditure in the general government sector

According to the 2010-11 NSW Budget Papers, the principal sources of general government capital expenditure are operating surpluses, which include Federal funds, and debt (see Table 2). The majority of capital expenditure was funded by operating surpluses, with net debt providing 40 per cent of funding.

Table 2: General government sector: capital program funding sources³⁷

Funding sources	4 years to June	
	2010 \$m	2014 \$m
Net Operating Balance (surplus net of depreciation)	11,137	16,462
Asset Sales	2,105	2,149
Increase in Net Debt ^(a)	8,892	3,110
Accruals/Provisions/Other	(376)	4,149
Total Sources of Funding	21,758	25,870

(a) The change in net debt excludes transactions of the General Government Liability Management Fund.

Borrowing to fund expenditure is generally limited because the payment of interest and principal restricts future funding for services.³⁸ The 2010-11 NSW Budget Papers forecasted a rise in interest expenses from \$1.2 billion

per annum in 2009-10 to \$1.8 billion per annum by 2014.³⁹

5.4 Capital expenditure in the Public Trading Enterprise sector

The Public Trading Enterprise (PTE) sector includes both commercial and non-commercial PTE agencies. Commercial PTEs (e.g. water and electricity corporations) fund their capital programs from a combination of debt and internally generated cash. In contrast, non-commercial PTEs (e.g. public transport and housing corporations) rely primarily on capital grants from the State Budget, along with additional finance from debt, to fund their capital programs.⁴⁰

Table 3 identifies capital program funding sources for the overall PTE sector. In the four years to June 2010, the majority of capital expenditure was funded by agency operating surpluses, with net debt providing 40 per cent.⁴¹

Table 3: Public trading enterprise sector: capital program funding sources⁴²

Funding sources	4 years to June	
	2010	2014
	\$m	\$m
Net Operating Balance (surplus net of depreciation) ^(a)	16,576	16,284
Asset Sales	1,678	1,504
Increase in Net Debt	11,653	17,361
Accruals/Provisions/Other	(816)	1,218
Total Sources of Funding	29,091	36,367

(a) Net operating balance after accrued dividends.

According to the 2010-11 NSW Budget Papers, commercial PTE net debt is forecast to increase from \$24.8 billion in June 2010 to \$38.7 billion in June 2014. Most of this increase is due to a projected increase in borrowings by the electricity sector of \$10.2 billion.⁴³

Non-commercial PTE net debt is expected to increase from \$449 million in June 2010 to \$4 billion in June 2014. The majority of this increase will finance Rail Corporation leases for the new Waratah trains (the NSW Rolling Stock PPP), along with additional enabling works to support the new rail cars.⁴⁴

5.5 TCorp borrowing for infrastructure investment

TCorp (the NSW Treasury Corporation) is the central financing agency for the NSW public sector. In 2009-10, TCorp loans to fund general government and PTE sector infrastructure investment programmes increased by \$6.7 billion to a total of \$44.6 billion (see Table 4).⁴⁵ TCorp's largest borrowers at 30 June 2010 were the electricity sector (\$17.1 billion) and the Crown Finance Entity (\$15.8 billion).

Table 4: TCorp loans to NSW Government clients⁴⁶

NSW public sector clients	2009 \$m	2010 \$m
Crown Entity	13,055.3	15,795.6
Electricity Sector	14,929.4	17,135.2
Transport Sector	1,155.9	1,165.1
Water Sector	6,728.8	8,022.5
Other Sectors	1,978.6	2,467.2
Universities	40.7	42.4
Total	37,888.7	44,627.9

TCorp currently has three types of bonds on issue: Domestic Benchmark Bonds; Global Exchangeable Benchmark Bonds; and Consumer Price Index Linked Bonds (otherwise known as Capital Indexed Bonds). The majority of TCorp's borrowings are accessed through the Benchmark Bond Programme. As of 30 June 2010, TCorp had issued \$37.1 billion in domestic benchmark bonds and \$6.5 billion in global exchangeable benchmark bonds.

TCorp first issued consumer price index (CPI) linked bonds in 2007. As of 2010, almost \$4 billion in CPI linked bonds were on issue. The capital value of these bonds increases with the Australian CPI. These bonds are tailored for the large number of State owned utilities on whose behalf TCorp borrows money. According to TCorp:

These utilities have revenues linked to inflation through regulatory pricing which means that partly linking their infrastructure funding to inflation reduces their risks.⁴⁷

TCorp has also expressed the opinion that demand from superannuation funds for these bonds may increase significantly in the near future.⁴⁸

5.6 Infrastructure funds for local government

In 2009, the NSW Government established a \$200 million [NSW Local Infrastructure Fund](#) as "an interest-free loan scheme to bring forward infrastructure projects which have been delayed due to a lack of funding and are essential to urban development."⁴⁹ These include road, stormwater, water and wastewater projects. The Fund – a NSW Treasury Fund – was initially administered by the NSW Department of Planning.⁵⁰

In 2010, the NSW Government established a \$50 million [Priority Infrastructure Fund](#) as "a transitional measure for 2010/11 and 2011/12 to assist NSW councils to fund public amenities and public services."⁵¹ From this Fund, NSW councils are able to recover the difference between the contributions rate contained in a development contributions plan and the NSW Government cap on development contributions for residential development.⁵²

5.7 Infrastructure procurement

Procurement is the acquisition of goods or services, either outright or by lease. In NSW, infrastructure procurement by all NSW Government departments, statutory authorities, trusts and other Government entities is subject to the NSW Treasury Policy and Guidelines Paper [TPP04-1 NSW Government Procurement Policy](#).⁵³ The Policy does not dictate the use of particular infrastructure funding models. Rather, it includes the NSW Government Code of Practice for Procurement that sets the following objective:

... to achieve best value for money in the expenditure of public funds while being fair, ethical and transparent.⁵⁴

Specific procurement guidelines also exist for PPPs. The NSW Government first issued a series of PPP policies and guidelines in 2001 under the program title: [Working with Government](#). These policies and guidelines were effectively replaced by the [National Public Private Partnership Policy and Guidelines](#) released by Infrastructure Australia in 2008.⁵⁵ However, several [jurisdictional requirements](#) from the Working with Government Guidelines still apply in NSW, as provided for by the National PPP Policy and Guidelines.⁵⁶

6. Infrastructure funding under the O'Farrell Government

Several new infrastructure funding options have been mooted by the O'Farrell Government: the Hunter Infrastructure and Investment Fund; encouraging superannuation funds to invest in NSW infrastructure; new PPPs; and the Restart NSW Fund.

6.1 The Hunter Infrastructure and Investment Fund

On 15 October 2010, the NSW Coalition proposed to establish a \$350 million [Hunter Infrastructure and Investment Fund](#) (or Hunter Infrastructure Fund) should they win the 2011 election. According to the media release, the Fund will:

- Have a mandate to invest in Hunter infrastructure projects including transport, health and water infrastructure;
- Be oversighted by an independent board comprising people drawn from the local community to ensure the fund is spent on local priorities; and
- Help develop a 20-year Infrastructure Plan for the region to guide submissions to Infrastructure NSW and Infrastructure Australia.⁵⁷

Following a NSW cabinet meeting in Newcastle on 27 June 2011, the Government announced the appointment of Maitland Mayor Peter Blackmore as the Chair of the Hunter Infrastructure Fund.⁵⁸

6.2 Superannuation funds

Both Barry O'Farrell and Mike Baird, the NSW Treasurer, are reported to favour using super funds for infrastructure projects.⁵⁹ One option proposed by Mike Baird is the creation of a State "future fund" to finance road and rail projects using public service superannuation. According to Mike Baird, such a fund could be modelled on the [Queensland Investment Corporation](#).⁶⁰

The Queensland Investment Corporation (QIC) is a government owned corporation constituted under

the [Queensland Investment Corporation Act 1991](#). QIC is a provider of investment solutions for super funds and other institutional investors.

As at 30 June 2011, QIC had 88 institutional clients and \$60.2 billion in funds under management.⁶¹ QIC operates as a house of highly specialised investment boutiques.⁶² Of the 10 investment boutiques in operation, only one is focused on infrastructure: [Global Infrastructure](#). According to the Global Infrastructure house webpage:

Since 2006, we have committed \$3.1 billion in 14 investments spread across 12 countries and across a range of sectors including transport, utilities and telecommunications.⁶³

As of 30 June 2010, QSuper, Queensland's public sector superannuation scheme, had \$855.9 million under management with QIC's Global Infrastructure house. It also had a further \$17 billion under QIC management.⁶⁴ Although having a global scope, the Global Infrastructure house has also invested in Australian infrastructure, for example Brisbane Airport, the Port of Brisbane and the Westlink M7 in Sydney.⁶⁵

6.3 Public private partnerships

The NSW Treasurer has expressed support for using PPPs to fund infrastructure projects in NSW.⁶⁶ It is reported that the NSW Government is currently exploring the potential of using a PPP for the north-west rail link.⁶⁷

7. Restart NSW Fund Bill 2011

In its 2011 pre-election policy platform, the NSW Government stated that Restart NSW would be "a capital fund

to build essential infrastructure including public transport, roads and infrastructure to support people working in front line services."⁶⁸ The policy also stated that the board of Infrastructure NSW would oversee Restart NSW. On 22 June 2011, the NSW Government introduced the [Restart NSW Fund Bill 2011](#) in the Legislative Assembly. As of July 2011, the Bill is yet to be debated.

7.1 Object and purpose

The [Restart NSW Fund Bill 2011](#) (the Bill) has the following object:

to establish the Restart NSW Fund for the purpose of setting aside funding for and securing the delivery of major infrastructure projects and other necessary infrastructure (cl 3).

In the Agreement in Principle speech, the NSW Treasurer made the following statement regarding the purpose of the Restart NSW Fund (the Fund):

Sound investment in infrastructure is essential to the prosperity of this State. Investment in infrastructure underpins business activity, employment and growth ... We need to restart the New South Wales economy. We need to regain New South Wales reputation as Australia's number one place to live and do business.⁶⁹

7.2 Projects and activities

In addition to the funding of "major infrastructure projects", clause 6 of the Bill identifies a range of other projects to improve both economic and social infrastructure. The following economic infrastructure projects are listed in the Bill:

- public transport;
- roads;

- infrastructure required for the economic competitiveness of the State (including the movement of freight, inter-modal facilities and access to water); and
- local infrastructure in regional areas that are affected by mining operations (cl 6).

The Bill does not define the types of infrastructure referred to as "local infrastructure". Hence, clause 6(b(iv)) may be a provision for both economic *and* social infrastructure in regional areas affected by mining operations.

The Bill also provides for the funding of the following social infrastructure:

- hospital and other health facilities and services; and
- workplaces for law and justice officers, teachers, nurses and other staff providing services to the public (cl 6).

By clause 6(2), a reference to funding a project includes the funding of the planning, selection, implementation and delivery of the project.

7.3 Operation of the Fund

Clause 5 of the Bill aims to establish the Restart NSW Fund in the Special Deposits Account.⁷⁰ Special Deposits Accounts are Treasurer's accounts under section 5 of the [Public Finance and Audit Act 1983](#). They are defined under that Act as an account which the Treasurer is, by statutory or other authority, required to hold apart from the Consolidated Fund.

As at 30 June 2010, the Crown Entity operated nine special deposit accounts, including a State Infrastructure Fund.⁷¹ According to the

2009-10 Crown Entity Annual Report, the State Infrastructure Fund was:

... established during 2008-09 to hold development contributions collected from Special Contribution Areas across the State. These monies are set aside to fund the provision of State infrastructure, land purchases and conservation requirements in these contribution areas.⁷²

Clause 8 of the Bill makes provision for the payment of any money from the Fund for three purposes:

- payment, as approved by the Treasurer on the recommendation of Infrastructure NSW, to fund all or any part of the cost of an infrastructure project that the Treasurer is satisfied promotes a purpose of the Fund;
- payment to meet administrative expenses related to the Fund; and
- payment for any matter directed or authorised by the Bill or any other statutory instrument.

Restart NSW Fund annual reports must be made tabled in each House of Parliament (cl 9). These reports must detail:

- payments from the Fund;
- information on the total amount of payments made for infrastructure projects in rural and regional areas, and whether this represents at least 30% of total payments from the Fund; and
- the Auditor General's audit of the Fund.

7.4 Funding sources

Clause 7 of the Bill provides for payments into the Fund. According to the Treasurer's Agreement in Principle speech:

Restart NSW will be funded from: appropriations by Parliament and the budget process, including any such money certified as windfall tax revenue; realisation of the capital invested in assets, such as from the Sydney Desalination Plant; and potentially borrowings, including the issue of special bonds to the people of New South Wales such as Waratah bonds. Additional sources of funding will include the interest proceeds from investment of money in the fund;⁷³ money directed or authorised to be paid into the fund by an Act or law; and money voluntarily contributed to the fund by a government agency or other person or body.⁷⁴

According to the NSW Coalition's pre-election policy, Waratah bonds are:

... NSW Government-backed debt instruments that will enable Government to access new, untapped capital markets. They will enable mum and dad investors to make a contribution to the task of delivering the essential infrastructure NSW needs ... Waratah Bonds will be an alternative debt structure in addition to the currently available options of government borrowing through T-Corp bonds and private debt through PPP arrangements.⁷⁵

7.5 Infrastructure NSW's role

The Bill provides for two roles for Infrastructure NSW (INSW) with regard to the Fund. First, clause 8(a) states that there is payable from the Fund:

any money approved by the Minister on the recommendation of Infrastructure NSW to fund all or any

part of the cost of any project that the Minister is satisfied promotes a purpose of the Fund.

It would appear therefore that the Treasurer's approval of payment from the Fund for an infrastructure project is subject to an INSW recommendation.

Second, the Treasurer is required to ensure that INSW receives regular reports on the balance of money standing to the credit of the Fund (cl 9(5)).

8. Concluding remarks

In essence, the proposed Restart NSW Fund is designed as a mechanism for capturing and committing funds solely for infrastructure purposes. It is intended to supplement existing infrastructure funding mechanisms. As well, it will operate alongside any other new funding sources, such as the Hunter Infrastructure and Investment Fund. A number of questions arise in respect to the Restart NSW Fund, including:

- how much money will the Government initially place in the Restart NSW Fund and how large a slice will this be of total infrastructure spending in NSW?
- to what extent will the introduction of the Restart NSW Fund result in higher total expenditure on infrastructure in NSW?
- what infrastructure projects will be recommended for Restart NSW funding by Infrastructure NSW?
- what contribution will alternative funding sources, such as PPPs, make towards infrastructure investment in NSW, and how will this compare to the contribution made by the Restart NSW Fund?

¹ Infrastructure Australia, [Communicating the imperative for action: A report to the Council of Australian Governments](#), June 2011, p7

² Infrastructure Australia, [Communicating the imperative for action: A report to the Council of Australian Governments](#), June 2011, p12

³ Infrastructure Australia, [Communicating the imperative for action: A report to the Council of Australian Governments](#), June 2011, p18

⁴ NSW Liberals & Nationals, [Restart NSW: An Infrastructure Fund to Fix NSW](#), 2011; NSW Liberals & Nationals, [Infrastructure NSW](#), 2011. Infrastructure NSW was established by the [Infrastructure NSW Act 2011](#) on 27 of June, see further: D Montoya, [Infrastructure NSW: comparing administrative models](#), E-Brief 05/2011

⁵ NSW Liberals & Nationals, [Restart NSW: An Infrastructure Fund to Fix NSW](#), 2011

⁶ For information on local government's role in infrastructure provision and maintenance, see for example: The Allen Consulting Group, [Funding Urban Public Infrastructure: Approaches Compared](#), August 2003; Legislative Assembly Standing Committee on Public Works, [Report into local government private partnerships for asset redevelopment](#), Report No. 3/54, November 2008.

⁷ NSW Government, [Working with Government: Guidelines for Privately Financed Projects](#), 2006, p83

⁸ NSW Government, [Working with Government: Guidelines for Privately Financed Projects](#), 2006, p85

⁹ Public Accounts Committee, [Inquiry into Public Private Partnerships](#), Report No. 16/53 (159), June 2006

¹⁰ See the following publication for more in-depth discussion of the factors that affect the procurement decision: Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009.

¹¹ Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009

¹² For more in-depth discussion of each model, see the (2003) Allen Consulting Group paper [Funding Urban Public Infrastructure](#) and the (2009) Productivity Commission paper [Public Infrastructure Financing: An International Perspective](#).

¹³ Productivity Commission, [Public Infrastructure Financing: An International](#)

- [Perspective](#), Staff Working Paper, March 2009
- 14 Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009. See Chapter 5 for more in-depth discussion of the use of specific-purpose bonds to finance infrastructure.
- 15 Note that these are targets rather than legislative restrictions. Current levels of debt are outside the targets that have been set.
- 16 The Allen Consulting Group, [Funding Urban Public Infrastructure: Approaches Compared](#), August 2003
- 17 Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009
- 18 Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009
- 19 L O'Flynn, [History of development contributions under the NSW planning system](#), E-Brief 03/2011
- 20 Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009
- 21 See for e.g. L O'Flynn, [Housing Affordability](#), Briefing Paper 04/2011
- 22 Infrastructure Australia, [National Public Private Partnerships Guidelines: Overview](#), December 2008, p3
- 23 See for example: Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009, Chapter 8
- 24 Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009, pXXVIII
- 25 Joint Select Committee on the Cross City Tunnel, [Second Report: The Cross City Tunnel and Public Private Partnerships](#), May 2006
- 26 In 2003, the NSW Government conducted an analysis using similar criteria in relation to funding transport infrastructure, see: NSW Government, [Ministerial inquiry into sustainable transport in New South Wales: Options for the future \[Interim report\]](#), August 2003, Chapter 5
- 27 The Allen Consulting Group, [Funding Urban Public Infrastructure: Approaches Compared](#), August 2003, p73
- 28 The Allen Consulting Group, [Funding Urban Public Infrastructure: Approaches Compared](#), August 2003, p85
- 29 Productivity Commission, [Public Infrastructure Financing: An International Perspective](#), Staff Working Paper, March 2009. Table 10.1 (p228) summarises the strengths and weaknesses of each model.
- 30 Commonwealth Government, [2011-12 Australian Government Budget – Budget Paper No. 3](#), 2011
- 31 Commonwealth Government, [2011-12 Australian Government Budget – Budget Paper No. 3](#), 2011
- 32 NSW Government, [Budget Paper No. 4: 2010-11 Infrastructure Statement](#), 2010, p2-2
- 33 NSW Treasury, [State Infrastructure Strategy 2008-09 to 2017-18](#), June 2008, p13
- 34 NSW Government, [Budget Paper No. 4: 2010-11 Infrastructure Statement](#), 2010
- 35 NSW Government, [Budget Paper No. 4: 2010-11 Infrastructure Statement](#), 2010, p1-11
- 36 NSW Government, [Budget Paper No. 4: 2010-11 Infrastructure Statement](#), 2010, p1-13
- 37 Adapted from NSW Government, [NSW Budget Paper 2010-11, Budget Paper No. 2](#), 2010, p 7-11
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