

Assessing the global transport infrastructure market Australian outlook to 2025





Australian outlook to 2025

- *Investment in transport infrastructure to grow at 4.9% per year to 2025, slightly higher than global average.*
- *Growth will be underpinned by our cities and interstate freight task.*
- *Funding sources must continue to diversify in order to deliver critical transport infrastructure and the associated economic benefits for Australia.*

Australia's investment outlook is strong

Investment in transport infrastructure in Australia is expected to grow at an average compound annual rate of 4.9% over the next 10 years, slightly ahead of the worldwide growth rate of 4.7%.

By 2025 the projected annual spend on roads, rail networks, ports and airports nationally will be USD\$51.3 billion, up from the USD\$30.2 billion spent in 2014, according to analysis by PwC and Oxford Economics.

Key Australian transport infrastructure projects over the coming decade

Project	Type	Location	Amount (AUD)
Moorebank Intermodal Freight Terminal	Heavy rail	NSW	\$1.5bn
Inland Railway	Heavy rail	Vic/NSW/Qld	\$10bn
Gold Coast Rapid Transit Stage 2	Light rail	Qld	TBA ¹
WestConnex Stage 1	Road	NSW	\$16.8bn
Cross River Rail	Heavy rail	Qld	~\$5bn
Melbourne Metro	Heavy rail	Vic	~\$11bn

¹ Request for Tender is underway

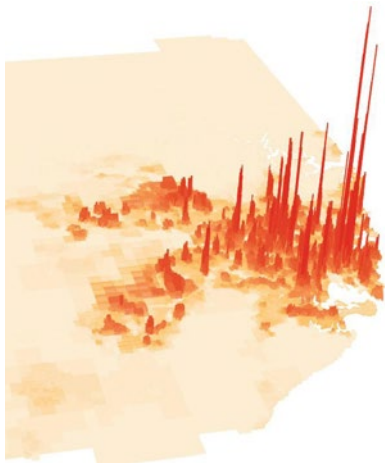
‘More livable cities’ and ‘the growing freight task’ are key drivers of growth

Urban transport networks are expected see increased investment as government’s move to address population growth, urbanisation and increasing congestion in Australia’s major cities. The recent trend towards light rail in CBD areas is expected to continue over the coming decade.

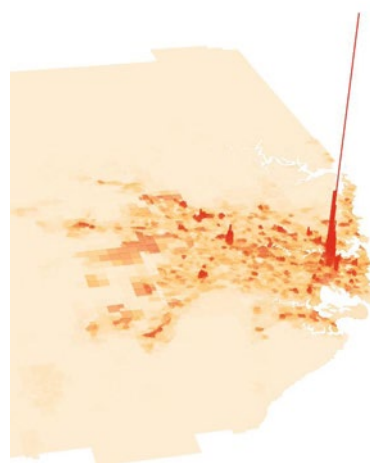
Geospatial economic analysis by PwC shows that while population growth is expected to be widespread across metropolitan areas over the next 20 years, employment growth will be concentrated in CBDs. This will drive demand for great and more efficient public transport networks between the suburbs and city centres. The growing number of metropolitan rail and projects, such as the Cross River Rail in Brisbane, the Melbourne Metro and the Westconnex and M5 widening in Sydney, reflect this demographic shift.

Sydney’s future: residential and employment growth by 2031

Population growth in Sydney in 2030: widespread



Employment growth in Sydney in 2030: concentrated



Source: PwC analysis

There will also be robust growth in regional transport networks to cope with the growing inter-city freight task in Australia, particularly along the east coast. The recent Australian Infrastructure Audit² predicts the road and rail freight task in Australia will increase by 86% over the next 25 years. The Federal Government continues to lead the development of major freight infrastructure with its agreement for the \$1.5 billion Moorebank Intermodal Terminal in Sydney, and its active consideration of the \$10 billion Inland Rail project connecting Brisbane and Melbourne via Parkes.

Western Australia, South Australia and Queensland outlook better over longer term

Despite evidence recently of a temporary easing in large-scale transport infrastructure investment in Western Australia, South Australia and Queensland – primarily due to current State Government fiscal constraints – a strong pipeline of projects awaiting approval and/or funding still exists. The long-term forecast level of transport infrastructure investment in these states is therefore fundamentally back to trend.

“Our cities are the crucible of innovation, of enterprise – it’s where so much of GDP is created and it’s vital they have the right infrastructure, whether it’s telecommunications infrastructure or transport infrastructure like the Gold Coast Light Rail.”

Prime Minister Malcolm Turnbull

² Australian Infrastructure Audit – Our Infrastructure Challenges, Infrastructure Australia, April 2015

State and Federal Government support is strong, with new emphasis on public transport

Across Australia, State Governments continue to provide policy commitments to future transport infrastructure investment. At the Federal level, the elevation of Malcolm Turnbull as Prime Minister has seen a change in policy towards increased Commonwealth funding for public transport. The Turnbull Government recently announced \$95 million towards the Gold Coast Light Rail project, and has indicated potentially more support for a series of public transport infrastructure projects, such as the Melbourne Metro Rail. The funding of new roads projects remains an ongoing priority for the Federal Government.

Private sector appetite and involvement is high

With the market awash with both equity and debt funding, the appetite for investment in infrastructure in Australia is high, and transport infrastructure is no exception. There continues to be strong interest in brownfield projects, such as the upcoming leases of the Port of Melbourne and the Port of Fremantle by the Victorian and Western Australian Governments, respectively. The private sector also has a strong pipeline of greenfield projects including PPPs, operating franchises and rolling stock leases. Australia is also seeing a strong level of interest from overseas transport operators and infrastructure investors, despite some recent project cancellations such as the East West Link in Melbourne.

Funding sources are diversifying, and must continue to do so

State and Federal Governments are continuing to look for innovative means of funding economic infrastructure like roads, rail, ports and airports. The emergence of new finance structures, such as government backed 'concessional' loans that provide greater leverage against the revenue streams of toll roads and ports, is likely to further accelerate new investment. This will also allow the redirection of funding to other sectors, including public transport.

Another funding mechanism that is attracting increased attention is 'value capture'. This refers to infrastructure and urban renewal funding that is tied to the value that is generated for private landowners from infrastructure. The concept is value capture is aligned to the concept of those who benefit should contribute to the funding of the infrastructure.

While the future for transport infrastructure investment in Australia is positive, the application of new funding mechanisms such as these are critical to ensure an ongoing supply of shovel-ready and financially sound nation-building projects. Particularly so given the economic pressures Australia faces as a result of the slowdown in the resources sector and ongoing global economic uncertainty.

To have a deeper conversation about this subject, please contact:



Sean Gregory
Managing Partner
Deals, Sydney

+61 2 8066 2253
sean.gregory@au.pwc.com



Clara Cutajar
Partner, Infrastructure
Leader, Sydney

+61 2 8266 3497
clara.cutajar@au.pwc.com



Jonathan Metcalfe
Public Transport Lead,
Melbourne

+61 3 8603 0204
jonathan.metcalfe@au.pwc.com



Robert Williams
Partner, Strategy&
Sydney

+61 2 8266 4736
robert.williams@strategyand.
au.pwc.com

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