Whatever the headlines say on Sunday, March 27, the next NSW government knows the community and business want to see a quick start to an infrastructure implementation plan. Even more testing will be an ability to get early runs on the board to build credibility and confidence.

While the usual question of what projects need to get up can be debated, the first real issue that needs to be addressed is how NSW will finance them.

The best choice for the community is to concentrate neglected government assets into new infrastructure through a reform of the NSW balance sheet. The Coalition’sWaratbah Bond plan has its place for financing work undertaken by the public sector. But to achieve what has to be done the government must engage the private sector and understand how to structure its involvement.

The case for spending on infrastructure is clear. For example, traffic congestion is costing Sydney businesses and the community $3.5 billion a year and is predicted to grow 23 per cent in the next 15 years. This cost will stretch to $7.8 billion a year if present infrastructure is not better managed and new infrastructure well integrated.

In Australia last year the total value of infrastructure construction reached $36 billion; most of this work occurred in the energy sector (40 per cent) and transport (38 per cent). New urban infrastructure is not getting a lot of this pie, especially in NSW. It is telling that $30 billion of the total last year was spent by the private sector. Interestingly, the value of private sector projects for the public sector has more than doubled since 1999 to nearly $14 billion in 2009-10. However, this demonstrates that even this is not enough to meet the needs of a sophisticated, growing Sydney.

Raising funds for public and urban infrastructure has become riskier and more complex after a range of problems over the past 10 years. Poorly executed projects, such as the Cross City Tunnel, and the increasing costs and terms of project debt due to the global financial crisis present big challenges.

Results like this have attracted bad media for public-private projects, left a bitter taste in the mouth of the public and made it more difficult to attract finance for projects. The solution for the NSW government is to take a whole-of-government approach to funding its infrastructure plan. It must ascertain what assets it has and how these can be better deployed to achieve new and worthy infrastructure objectives.

NSW has a plethora of older assets across its property, maritime, transport and energy portfolios with good cash flows, valued at a fraction of their true market value. They are typically old, in need of expensive maintenance – and in some circumstances complete replacement. Their future requires strong and experienced management and investment, neither of which is always available to government. A solution is to mix the established cashflows of old assets with an obligation to replenish and build new ones. This would improve the attraction of investment and bring on rail, road, health, education and energy projects sooner.

It can be done and is being done in Australia, the US and India. It relies on arranging sales that bind and oblige the buyer to develop assets and renovate existing ones. A good example is the recent sale of the Brisbane Port Corporation to a consortium, Q Port Holdings. Access to and from ports is a national and state priority and the Queensland government was stretched. Its smart response was to sell the asset on a 99-year lease and couple the sale with an obligation to fund and build a major road to the port. The sale delivered $2.1 billion to government and the consortium will pay $200 million for the road upgrade. The taxpayer also avoided port infrastructure costs of up to $1 billion.

Importantly, the consortium has better credentials for owning and running ports than the state government, with interests in port terminals across eight countries. Superannuation funds, which formed a large part of the winning consortium, can see and competitive returns without high-risk exposure.

The people of NSW want infrastructure and they want it quick. In return they need to accommodate innovation in financing. The proposition that a so-called infrastructure status quo can remain is untenable.

Australia has one of the largest superannuation savings pools in the world. From Asia to Europe it is a major institutional investor in infrastructure such as airports, rail and energy. Let’s get that money back home by making our projects more attractive to investors. We will solve our urgent urban problems of road congestion, poor public transport, and bottle-necked access to ports.

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