Prime ministerial advisers and for Treasury secretary Ken Henry has called for an overhaul of Australian infrastructure projects to make them more attractive to risk-wary superannuation funds, as leader of an emerging infrastructure research group.

Dr Henry plans to push plans for “authoritative work” on project financing to see what went wrong with infrastructure projects where investors lost heavily, such as Brisbane’s Clem Jones tunnel.

He hoped his group would offer to examine, “with a lack of vested interest”, proposals such as the very fast rail network on the east coast.

While Infrastructure Australia, of which Dr Henry was once a council member, could play a “useful” role. He said it did not have the resources to put together a complex picture of national infrastructure needs.

His appointment as chairman of the University of Wollongong’s so-called “SMART infrastructure group will add weight to calls dorm business for the government to do more to tackle what it admits is a great on productivity improvement.

Tony Shepherd, chairman of Transfeild Service and former chairman of tollroad group ConnectEast, backed Dr Henry’s calls for a reassessment of risk and urged and government to consider “taking back” some of the risk from the private sector, possibly by allowing certified projects to sell early tax losses. Business council of Australia president Graham Bradley will today call on the government to enter into a new compact with business to improve Australia’s lagging productivity growth rate, warning that the country is at risk of forever playing “catch-up” on social and economic infrastructure.
The BCA has applauded recent efforts by federal and state governments to address infrastructure bottlenecks, such as the introduction of national port and land freight strategies, but wanted a national audit of the country’s infrastructure needs.

Although the advisory council body Infrastructure Australia has taken on the task of prioritising existing projects, the BCA believes a more comprehensive assessment needs to be made of where the country should direct future investment.

In an interview with *The Australian Financial Review*, Dr Henry concurred that while Infrastructure Australia could play a “useful” role, it struggled with resources.

As an academic institution, SMART – an acronym for Simulation, Modelling, Analysis Research and Teaching - could provide independent analysis of projects, he said.

“There’s no point me coming along and saying Australia should have high speed rail,” Dr Henry said.

“What I’d like to see is that this facility has the capability to answer that questions to everybody’s satisfaction, so that if MSART says, well, we’ve looked at it from top to bottom, we’ve looked at the thing inside out, and we reckon it stacks up, then that should be considered credible and authoritative by both business and government.

It plans to develop independent case studies of past projects with the aim of developing a user’s guide for future projects.

It will collate demographic data as well as information on consumer demand for transport, energy and water to provide online to researchers and planners trying to assess Australia’s future infrastructure needs, and examine ways of improving the capacity of local funds to invest in national infrastructure assets.

“We have to find ways to make at laws some of these investments more attractive to superannuation funds,” Dr Henry said.

“Whether it is a problem of insufficient capability within the superannuation funds themselves or whether it’s because their something peculiar in the design of the infrastructure project that simple has the wrong risk characteristics, I’m not sure... we need to be asking that questions with respect to a lot more infrastructure projects.”

Business executives such as Mr Shepherd have expressed concern about the lack of local investment in listed infrastructure companies amid a spate of takeovers that have seen ConnectEast, Intoll and the Macquarie Communications Infrastructure Group sold to foreign investors.

Local superannuation funds are smaller than many overseas funds, such as the Canada Pension Plan Investment Board, and do not have the same capability to invest in
infrastructure research, making them reluctant to take the risk of investing in some infrastructure projects.

“The Canadians have funds of $100 billion,” Mr Shepherd said yesterday. “Why can’t Australia?”

Had Australia funds been bigger, they may have had more appetite for acquiring Connect East’s stock, Mr Shepherd said.

Dr Henry did not offer any solutions for the challenge of financing infrastructure projects, I’m arguing that financing models vary from project to project. “I’m not sure there is a global best model.”

Some infrastructure projects benefit only in the private sector, making it difficult for them to argue a strong case for public funding, he pointed out. But other projects, such as national highways, can reasonably call for public funding,

Dr Henry does, however, have “an instinctive reluctance” for encouraging tax breaks on infrastructure funding. “I’m not saying I’ve got a closed mind, I’m just naturally a bit reluctant.”

He also has an open mind on the question of whether private companies that build their own infrastructure, such as mining giants RIO and BHP (which won railways lines in the Pilbara) should give access to their competitors.

“Having stumped up the cash for the infrastructure, they are understandably quite reluctant to share the benefits, so I don’t think we should be terribly dismayed that this is happening.”

But he stressed that private infrastructure projects still had public benefits and that over time, “the methods of securing broader access to private infrastructure is something that could be explored”.

Dr Henry, who has already strongly rejected suggestions that he could have a conflict of interest by holding a directorship at the National Australia Bank as well as a role as special adviser to the Prime Minister, said he did not believe there would be any conflicts between his SMART chairmanship and his NAB board sear. “These sorts of issues are routinely dealt with if and when they arise,” he said, he is also considering further appointments.

“I’m not sure that this is a full plate just yes,” he said, adding that another future role could include “something in the social space”.

Dr Henry said he took on the SMART job because the challenge of developing Australia’s infrastructure was “deeply fascinating” and the country had not dealt well with infrastructure challenges.
“There is an enormous need to build more of just about everything,” he said.

“We should have a whole set of infrastructure projects on the drawing board.”

*With Louise Dodson*