Opinion: Collaboration needed to stop cycle of boom and bust

Daryl Passmore, The Courier-Mail
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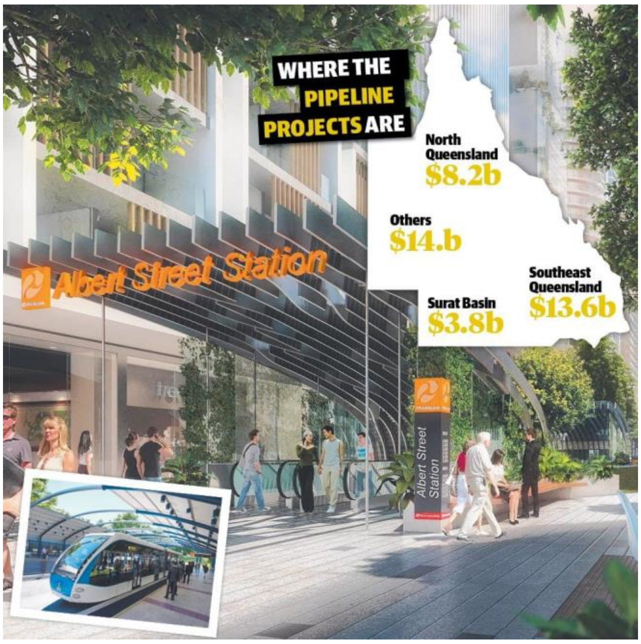
QUEENSLAND is riding the crest of a new wave of major infrastructure projects but risks crashing again within two years, with the private sector reluctant to invest.

After plummeting in the wake of the mining/gas construction boom and bottoming out last year, the sector has dragged itself out of the trough, with the value of major projects soaring 58 per cent this financial year to $6.9 billion.

New analysis, to be released today says that should continue into next year, but warns activity is set to decline again in 2019-20 with a lack of viable projects coming through.

The Queensland Major Projects Pipeline Report – compiled by BIS-Oxford Economics for three peak industry bodies – looks at initiatives worth $50 million-plus – flagged for the next five years.

It identifies 190 mooted projects worth $39.9 billion – but only 92 have funding committed, leaving 98 (worth $16.1 billion) in the air. Nearly $7 billion worth are categorised as unlikely to proceed, including Adani's mine, rail and port plan.



Queensland has about two years of major infrastructure and development projects on the cards.

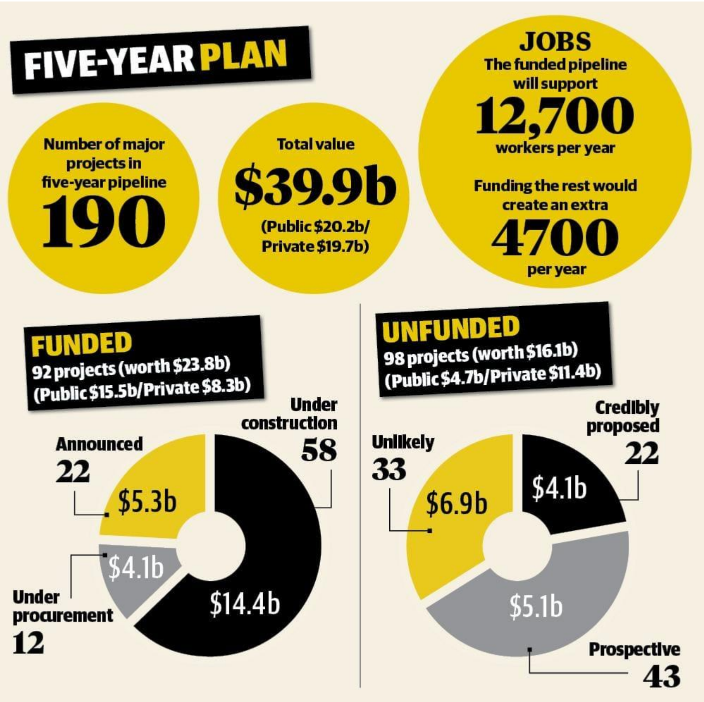
"We are seeing a peak, then a decline. We need governments to roll up their sleeves and press ahead," BIS-Oxford Economics senior economist Adrian Hart said.

Projects such as Cross River Rail, upgrades to the Bruce Highway, Logan and Gateway Motorways and Inland Rail had provided a lift. And indications from the Palaszczuk Government that next month's State Budget will include funds for M1 improvements and duplication of the Sunshine Coast rail line were welcome.

But greater collaboration between federal and state governments was required, along with measures to leverage private sector investment or opportunities for public-private partnerships.

"Cycles are what you want to avoid. We would like to see them smoothed out," Mr Hart said.

"The mining boom was a crazy time. We don't want to go back to that. Quietly growing a sustainable pipeline is the aim."



Queensland's infrastructure is fuelling the state's growth – but there are plenty of major projects that remain unfunded.

The report says Queensland continues to lag behind New South Wales and Victoria in funding and delivering big-ticket infrastructure, and Mr Hart said the southern states had been more innovative in trying to draw in the private sector.

Worryingly, the report highlights that the value of public sector projects with committed funds or currently under procurement outstrip the private sector by six to one in the Sunshine State.

Infrastructure Association of Queensland chief Steve Abson said that was a complete reversal of the traditional trend – and raised serious questions which they would be researching further.

“Over half of the private sector projects identified in the pipeline are either prospective or unlikely to receive funding approval in the medium term,” the report said.

“The challenge is to understand the barriers that are preventing greater private investment in existing or new private infrastructure – be that regulations, approvals, risk on financial return, perception of sovereign risk or confidence in the long-term outlook for the region,” Mr Abson said.

“Queensland needs to keep focused on finding good, investable projects so the pipeline doesn’t dry up. When projects already in development are accounted for, Queensland has only 12 out of 96 projects identified for investment on the current National Infrastructure Priority List. This is two to three times lower than we’d prefer to see.”

Some of the major infrastructure and development projects earmarked for Queensland.

The report is critical of the outcomes from the Palaszczuk Government’s Market-Led Proposals program, which has so far resulted in only two approved projects – the Logan Motorway enhancement and the new [Brisbane International Cruise Terminal](). And it says nothing has materialised from the Turnbull Government's much-vaunted $5 billion Northern Australia Infrastructure Fund (NAIF).

Queensland Major Contractors Association president Peter Anusas said there was potential for significant taxpayers savings if projects could be brought forward in the pipeline, as well as thousands of much-needed jobs.

"Many of these construction jobs can make a real difference to regional communities who are struggling to adjust after the resources boom."

The Brisbane International Cruise Terminal is one of the only projects to receive the tick of approval from the Palaszczuk Government's Market-Led Proposals program.

The five-year pipeline identifies projects including roads, bridges, airports, rail, ports and defence facilities, water, electricity, telecommunications and resources.

But it excludes social infrastructure such as the new Townsville Stadium, the $3 billion Queen's Wharf casino-resort precinct and the proposed $2 billion Brisbane Live! indoor arena and entertainment centre above the Roma St railyards.

The five-year pipeline of possible projects includes $13.6 billion in southeast Queensland – 167 per cent more than the actual spend in the past five years. But work flagged for the state's north would increase 361 per cent to $8.2 billion if it all happened.

Santos GLNG's $750 million new gas fields project will help drive $3.8 billion worth of work in the Surat Basin, but the report's outlook for mining is less optimistic.

An artist's impression of the Brisbane Live! indoor area and entertainment centre.

Volatility of commodity prices and demand means there is "a high degree of uncertainty surrounding the pace and scale of recovery", it says.

Listing Adani's $16 billion Carmichael coal project as "unlikely'' for the second year, the report says: "Substantial risks surround the outlook for this project (and related infrastructure works elsewhere in the list) given uncertainties over future coal prices and the risks surrounding finance for Adani's very large Galilee Basin railway line."

The report also categorises Hancock's multi-billion dollar Alpha and Kevins Corner mines as unlikely, along with New Hope's $900m New Acland stage 3 expansion which has been referred back to the Land Court for a new hearing after the company successfully appealed an earlier ruling blocking it.