

ASEAN-Australia Business Summit 2018

CEO Forum consultation paper

Infrastructure

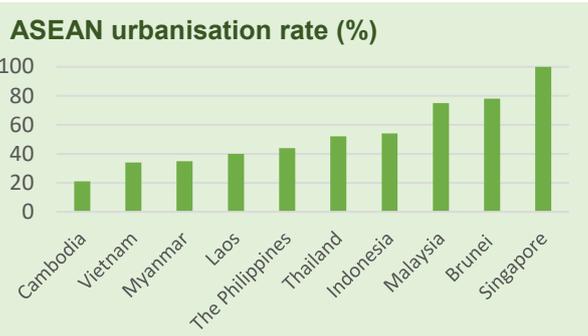


This paper seeks your input to inform and prioritise discussion at the Infrastructure roundtable at the ASEAN-Australia Business Summit CEO Forum in March 2018. CEOs will recommend actions to Australian and ASEAN Leaders to improve the trade and investment environment for infrastructure and identify areas for closer collaboration.

Please send your responses to BusinessSummit@pmc.gov.au by 10 January 2018.

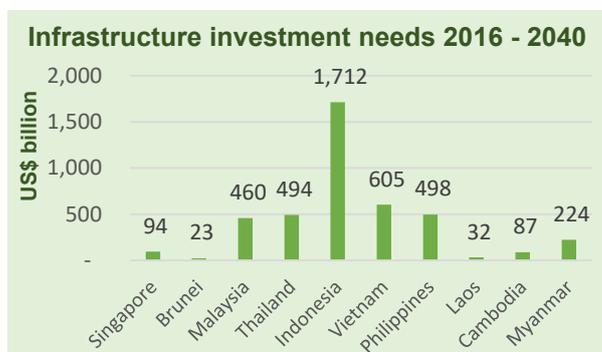
ASEAN's rapid urbanisation and increasing middle class is creating vast opportunities for business through accelerating economic growth, improving productivity and raising demand. This transformation creates possibilities for Australia and ASEAN to cooperate on smart city design, infrastructure construction and financing.

Over one-third of ASEAN's population live in cities, contributing more than two-thirds of the region's GDP. An estimated extra 90 million people will live in cities by 2030, adding over US\$500 billion (around 20 per cent) to ASEAN's GDP.ⁱ Middle class households are projected to increase from 38 million (2015) to 161 million by 2030.ⁱⁱ



Future ASEAN cities will require innovative and specialist services, products and technologies to address urban challenges such as overcrowding and congestion, infrastructure needs and pollution. Cities will require substantial investment in new and retrofitted major transport infrastructure assets, power and water assets and tourism facilities.

ASEAN countries will need a total of US\$4.2 trillion of infrastructure investment up to 2040 to support future growth and improve infrastructure provision.ⁱⁱⁱ



In the *ASEAN Economic Community Blueprint 2025*, member countries committed to widen infrastructure connectivity through ASEAN wide and sub-regional projects, facilitating the movement of capital and skilled labour.^{iv} Creating a region that promotes sustainable infrastructure is a goal of the *Master Plan on ASEAN Connectivity*, with three key goals:

- increase public and private infrastructure investment in each ASEAN Member State, as needed;
- significantly enhance the evaluation and sharing of best practices on infrastructure productivity in ASEAN; and
- increase the deployment of smart urbanisation models across ASEAN.

Australia is well placed to invest and work with ASEAN partners to achieve this vision.

Opportunities for collaboration

There is a large opportunity for infrastructure investment, affording benefits across ASEAN member states and Australia. The Global Infrastructure Hub (GI Hub) has a mandate to grow the global pipeline of quality, bankable infrastructure projects through increasing the flow of private and public infrastructure investment opportunities, facilitating knowledge sharing and connecting sectors. Its broad range of data and best-practice tools can support ASEAN countries in addressing their infrastructure investment deficit.^v There are also opportunities to collaborate to meet the infrastructure needs of other Asian countries, including through participation in Asian Infrastructure Investment Bank and One-Belt, One-Road initiatives.

In Australia, the Government has committed over \$75 billion for the next ten years to transport infrastructure.^{vi} It has also designed a Foreign Direct Investment Strategy to attract further private investment for foreign and domestic firms. Further, the private sector is involved through initiatives such as Macquarie Bank's Asian Infrastructure Fund, with total assets under management in the fund of \$US2.3 billion in 2016.^{vii}

The Australian Government also assists with preparing investment ready public-private partnerships in the region and related financial de-risking. It provides financial support for the World Bank Group and Asian Development Bank, including their private sector operations; and contributes to the World Bank's Global Infrastructure Facility and Public-Private Infrastructure Advisory Facility and the Asian Development Bank's Asia Pacific Project Preparation Facility.

Questions: Where are the opportunities to increase Australia-ASEAN collaboration?

How can Australian business work to complement ASEAN member country's requirements for substantial investment in new and retrofitted major transport infrastructure, power and water utilities and tourism facilities?

How can Australia and ASEAN collaborate to service the infrastructure needs of other Asian countries, such as China, India and Japan?

ASEAN is leading on smart city development, including notable examples such as Singapore, Malaysia and Thailand.^{viii} Australian solutions can, and are, helping to build ASEAN cities of the future. Australian firms can provide expertise on new building technologies, consulting expertise in integrated precinct planning and environmental design, universal design principles, intelligent transport systems, renewable energy and storage solutions. Australian funds, including from the superannuation sector, could assist with financing infrastructure investment.

Developments stemming from the adoption of new technology including 3D printing, data analytics, artificial intelligence and the internet of things have the potential to increase productivity at every stage of the infrastructure life cycle.^{ix} Greater standardisation, evaluation and the use of best practices would be beneficial.

Questions: What are the opportunities to invest in sustainable and inclusive infrastructure?

How can the construction industry grow and support local talent to avoid significant skill gaps and ensure the economic benefits are widely shared?

What skills and actions are needed to enable businesses to seize these opportunities?

Best practice reform

ASEAN economies are working towards a more integrated and cohesive regional economy, through improvements to the trade and investment environment,

competition and consumer policy and regulatory practices. There are barriers to infrastructure investment and development, such as land acquisition bottlenecks.^x

Questions: What are the most significant regulatory barriers to improving the trade and investment environment in the infrastructure sector?

Countries with better public governance tend to attract more private sector capital.^{xi} How can Australia and ASEAN work together to ensure good governance?

About the ASEAN-Australia Business Summit CEO Forum

On 17-18 March 2018, the Prime Minister of Australia will host ASEAN Leaders in Sydney for the ASEAN-Australia Special Summit. A Business Summit and Counter-Terrorism Conference will report to Leaders on advancing business cooperation and combating the threat of terrorism.

On 17 March, the Business Summit CEO Forum will bring together senior figures of leading Southeast Asian and Australian companies. Participants will discuss areas for closer collaboration and economic integration in areas including agri-food supply chains, energy, skills, digital transformation, infrastructure, tourism destination development and aviation. Recommendations will be reported directly to Leaders during their Summit the following day.

ⁱ McKinsey Global Institute, 'Southeast Asia at the crossroads: Three paths to sustained economic growth in Southeast Asia', URL: www.mckinsey.com/insights/energy_resources_materials/three_paths_to_sustained_economic_growth_in_southeast_asia, (November 2014).

ⁱⁱ A middle class household is classified as having an annual income in excess of \$10,000. Source: The Economist Intelligence Unit, 'ASEAN cities: Stirring the melting pot', (2016), p. 9

ⁱⁱⁱ Global Infrastructure Hub estimates. <https://outlook.gihub.org/>

^{iv} ASEAN Secretariat, 'ASEAN Economic Community Blueprint 2025', Jakarta, p.2

^v See for instance, the Global Infrastructure Outlook, InfraCompass and Project Pipeline at www.gihub.org

^{vi} Australian Government Department of Infrastructure and Regional Development, 'Infrastructure Investment Program', URL: < <http://investment.infrastructure.gov.au/>>

^{vii} Sarah Thompson, Anthony Macdonald, Joyce Moullakis, "Macquarie Group plots latest infrastructure fund", Financial Review, URL: <<http://www.afr.com/street-talk/macquarie-group-plots-latest-infrastructure-fund-20170515-gw510q>> (16/5/2017)

^{viii} International Data Corporation (IDC), 'IDC Names 18 Smart City Initiatives in Asia/Pacific excluding Japan as the Best of the Best in the 2017 IDC SCAPA Benchmarking', (3/8/2017) <https://www.idc.com/getdoc.jsp?containerId=prAP42961117>

^{ix} KPMG, 'Infrastructure Productivity: How governments can unleash the technology revolution', URL: <<https://home.kpmg.com/au/en/home/insights/2017/07/infrastructure-productivity-technology-revolution.html>> (10/7/2017)

^x *Ibid.*

^{xi} Willie Chan, '3 Things to Know About The ASEAN Infrastructure Buildout', Forbes, URL: <<https://www.forbes.com/sites/williechan/2016/07/08/3-things-to-know-about-the-asean-infrastructure-buildout/#7f1cc24d6d84>> (8/7/2016)