

Annual Report

Infrastructure Australia
Report to Parliament
2016-17







Infrastructure Australia

Annual Report 2016-17

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Australian Government
Infrastructure Australia

Infrastructure Australia
Level 21, 126 Phillip Street, Sydney NSW 2000
GPO Box 5417, Sydney NSW 2001

30 September 2017

The Hon Paul Fletcher MP
Minister for Urban Infrastructure
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present the Annual Report of Infrastructure Australia for the period ending 30 June 2017.

The report provides a detailed description of Infrastructure Australia's operations during the year as well as financial statements.

The report has been prepared in accordance with the requirements of the Public Governance, Performance and Accountability Act 2013; and the Infrastructure Australia Act 2008.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Julieanne Alroe', written over a light blue circular stamp.

Julieanne Alroe
Chair



Chairman's Foreword

Annual Report to Parliament

Australia has enjoyed the longest period of uninterrupted economic growth in the developed world. We achieved this much-envied position not through luck, but long-term vision and an ambition for nation-shaping reform.

To continue this national success story we need to drive further reform – particularly in our approach to infrastructure.

In the *Australian Infrastructure Plan*, we provided a comprehensive blueprint for infrastructure reform. Some of our recommendations were challenging, but the Plan has informed a valuable debate about the future of Australia's infrastructure and our willingness as a nation to act in a strategic and integrated manner.

In November 2016 we welcomed the Australian Government's response to the *Australian Infrastructure Plan*. The Government supported the vast majority of the Plan's 78 recommendations including a commitment to develop a National Freight and Supply Chain Strategy to meet our future infrastructure needs.

It was also pleasing to see movement on road pricing reform with the Government committing to conducting a study on the potential benefits and impacts of creating a road market. The move to a different way of paying for our roads is a significant public policy challenge and will require close consultation with the community and a clear conversation about the benefits and trade-offs of a new system.

Another important commitment in the response to the Plan is the increased investment in planning and project development work to bring forward business cases for the projects listed on the *Infrastructure Priority List*.

In February 2017, Infrastructure Australia published a newly revised List identifying 100 major projects that Australia needs over the next 15 years. This is the largest-ever number of infrastructure proposals on the Priority List. And the largest collection of projects with approved business cases.

Organisations as diverse as Engineers Australia, the Australasian Railway Association, the Royal Automobile Club of Victoria and the National Farmers Federation embraced the List and the *Australian Financial Review* concluded that "Infrastructure Australia has a good list of projects that the country needs to prioritise, with strong consensus backing in government and industry for its choices".

Together with our state and territory colleagues we have created something other Western nations have long sought – a consensus, evidence-based list of the projects that will deliver the best long term outcomes for infrastructure users.

Together with our state and territory colleagues we have created something other Western nations have long sought – a consensus, evidence-based list of the projects that will deliver the best long term outcomes for infrastructure users.

Perhaps most importantly there is a momentum to prioritise the funding of projects which have been promoted onto the List. As *The Australian* argued, there is now a clear case for the “most comprehensive list yet of nationally significant projects – 100 in all – that should be given priority consideration for the billions of dollars spent each year. Among them were 19 projects worth a combined \$60bn that had been through a full business case by the Infrastructure Australia experts.”

As a direct result, we are seeing governments – at all levels – commence the delivery of historically important new rail, road and network infrastructure.

For our part, Infrastructure Australia has also been progressing some of the key recommendations in the Plan through development of a robust internal policy function and the publication of further research advice to governments.

Of particular significance will be our new policy and research output published under the Reform Series banner. The first three Reform Series papers have been released – on Value Capture, Public Transport Franchising and Corridor Protection – with more planned in 2017-18 and beyond.

2017 will be my last year with Infrastructure Australia, but I will watch with interest as the organisation continues to develop and advocate for nationally significant infrastructure investment and reform.

Having been Chair since 2014, and a member of the Infrastructure Australia Council since its inception in 2008, it has been pleasing to see the organisation develop into a trusted advisor to governments, industry and business leaders around the country, with a strong policy voice and widely recognised mandate to lead change.

I thank my fellow Board members for their contribution and guidance and our CEO Philip Davies, and his executive team for their strong support. I also wish the best to the newly appointed Infrastructure Australia Chair, and fellow Board member, Julieanne Alroe.

Australia is in a unique position to learn from past experiences and deliver much needed new infrastructure. It won't always be easy, but the reward is improved services for all Australians and significant productivity gains right across the economy.



Mark Birrell
Chairman

Overview

Infrastructure Australia is an independent statutory body with a mandate to prioritise and advise on nationally significant infrastructure.

Infrastructure Australia was established in July 2008 to provide advice to the Australian Government under the *Infrastructure Australia Act 2008* (the Act). In 2014, the Act was amended to give Infrastructure Australia new powers, and to create an independent board with the right to appoint its own Chief Executive Officer. The amended Act came into effect on 1 September 2014 and the Infrastructure Australia Board was formed in September 2014. The 12 Board members bring experience from business, academia, the public and private sectors.

Under the Act, Infrastructure Australia has responsibility to strategically audit Australia's nationally significant infrastructure, and develop 15 year rolling infrastructure plans that specify national and state level priorities.

Infrastructure Australia's strategy and operational functions are guided by our Portfolio Budget Statements, Statement of Expectations, the *Infrastructure Australia Act 2008* and other Commonwealth guiding legislation including the *Public Governance, Performance and Accountability Act 2013*.

Statement of Expectations

On 1 November 2015, a Statement of Expectations for this reporting period was issued by the then Minister for Territories, Local Government and Major Projects, the Hon Paul Fletcher MP. This Statement provides guidance on the Australian Government's expectations relating to the strategic direction, operation and performance of Infrastructure Australia from 1 November 2015 to 30 June 2017.

The Statement of Expectations is available on our website: www.infrastructureaustralia.gov.au

Statement of Intent

Infrastructure Australia responded to the Statement of Expectations for this reporting period with a Statement of Intent.

The Statement of Intent, in conjunction with the Portfolio Budget Statement, responds to the Government's expectations by identifying the key objectives and related initiatives delivered by Infrastructure Australia from 2015 to 2017.



The Statement of Intent outlines:

- The specific priorities Infrastructure Australia will be accountable for delivering
- How Infrastructure Australia will establish itself as a trusted collaborator and advisor to governments and industry, on the planning, funding and financing, delivery and maintenance of infrastructure
- The governance and performance arrangements that will enable Infrastructure Australia to demonstrate that it is efficiently and effectively performing its statutory functions.

The Statement of Intent is available on our website: www.infrastructureaustralia.gov.au

“...the creation of Infrastructure Australia (IA) had several positive impacts on infrastructure planning. The creation of an independent body was welcomed by the stakeholders and managed to secure more bi-partisan support for project priorities. It also added greater transparency and visibility to the process of project selection and prioritisation.”

OECD/International Transport Forum – Strategic Infrastructure Planning: International Best Practice

Governance

Infrastructure Australia Board

The Infrastructure Australia Board has 12 members and met 8 times in the year to June 2017.

Board Member	Term Commencement	A	B
Mark Birrell (Chair)	September 2014	8	8
Julianne Alroe	June 2015	8	8
Gerard Blood	September 2014	8	8
Michael Carapiet	January 2015	7	8
Peter Corish AM	September 2014	8	8
Colin Duffield	September 2014	7	8
John Ellice-Flint	December 2014	7	8
Dianne Leeson	December 2016	5	5
Nicole Lockwood	September 2014	7	8
Daniel Norton AO	September 2014	7	8
Kerry Schott AO*	September 2014	2	3
Gabrielle Trainor AO	December 2014	7	8
Peter Watson	September 2014	8	8

A = Number of meetings attended

B = Number of meetings held during the time the Board Member held office during the year

*Kerry Schott retired as a Board member in November 2016.



Mark Birrell
Chairman

Mark Birrell is a professional company director and is the Chairman of Regis Healthcare Limited, PostSuper Pty Ltd and the Australian Payments Council. Earlier roles include being Chairman of the Port of

Melbourne Corporation (2011-16), founding Chairman of Infrastructure Partnerships Australia (2005-13) and national leader of the infrastructure group at Minter Ellison Lawyers (2002-12).

Mr Birrell held Cabinet positions in Victoria as Minister for Major Projects and as Minister for Industry, Science & Technology (1992-99).

He has a Bachelor of Economics and Bachelor of Laws, is a Fellow of the Australian Institute of Company Directors and a Companion of Engineers Australia.

Mr Birrell was first appointed in April 2008, appointed Chair in April 2014 and retired in August 2017.



Julieanne Alroe
Board Member

Julieanne Alroe was appointed to the position of CEO and Managing Director at Brisbane Airport Corporation Limited in July 2009. In addition to this role, Julieanne currently holds board positions with

Tourism and Events Queensland (Deputy Chair) and Urban Futures Brisbane. She is also a Member of the Council of Governors of the American Chamber of Commerce QLD, is a Queensland State Advisory Council Member for the Committee for Economic Development of Australia, is the Inaugural President of the Queensland Futures Council, a member of the Brisbane Infrastructure Council and a member of the Queensland Climate Advisory Council.

Julieanne has extensive experience within the aviation industry after holding a number of roles at Sydney Airport Corporation. These roles included executive management positions in the commercial, operations, corporate affairs, and planning and infrastructure departments. Previous board appointments include

the position of chairman of Airports Coordination Australia Ltd and Airports Council International Safety and Technical Standing Committee. She was also a Board member of The Queensland Theatre Company, Australia Trade Coast Ltd. and the International Grammar School Sydney.

Ms Alroe has a Bachelor of Economics from the University of Queensland and has been awarded an Honorary Doctorate of the Griffith University, Queensland. Julieanne is a member of the Australian Institute of Company Directors and Royal Aeronautical Society.

Ms Alroe was appointed as a Board member in June 2015 and appointed Chair on 1 September 2017.



Gerard Blood
Board Member

Gerard Blood has 27 years of experience in creating, managing and restructuring infrastructure and development projects in Australia, UK, Canada, Middle East, North Africa and Asia. Mr Blood was

a board director of Western Health from July 2013 and PPB Advisory's director and head of infrastructure until December 2014.

From May 2011 to November 2012, Mr Blood provided interim management and consulting services to Government and private sector clients in the region including Australia, Asia and the Middle East. He was a senior Executive Director at Gulf Finance House from September 2010 until April 2011. Prior to that, Mr Blood was a Dubai-based Managing Director of Macquarie Capital from January 2009 to August 2010. From 2003 to 2008 he was Managing Director at Bilfinger Berger Concessions.

He has a Masters of Business Administration from London Business School and a Bachelor of Engineering from the University of Ballarat in Victoria.

Mr Blood was appointed as a Board member in September 2014 and retired in August 2017.



Michael Carapiet

Board Member

Michael Carapiet is the Chairman of Link Group Limited, the largest administrative services provider to Australian superannuation funds and a leading provider of international share registry

and corporate services.

Mr Carapiet is also Chair of Smartgroup Corporation Limited, a leading provider of salary packaging and novated leasing services.

He is Chair of the NSW Government’s Insurance and Care Board, which includes NSW Workers Compensation, Lifetime Care and Support, Self Insurance Corporation and NSW Dust Diseases. Mr Carapiet is Chair of Adexum Capital Limited, a boutique private equity fund and is on the Board of Pyrolyx AG.

Mr Carapiet was appointed as a Board member in January 2015.



Peter Corish AM

Board Member

Peter Corish was the President of the National Farmers Federation from 2002 to 2006. He was Managing Director and CEO of PrimeAG Australia from 2008 to 2013. From 2007 to 2011, he served as a member

of the Council of Australian Governments Reform Council and held the post of Commissioner of the National Water Commission from 2005 to 2008.

Between 2003 and 2006, Mr Corish was a member of the Commonwealth Government Business Roundtable for Sustainable Development. He was founder and now chairs the Corish group of agricultural businesses.

Mr Corish was appointed as a Board member in September 2014.



Colin Duffield

Board Member

Colin Duffield is a Professor in engineering project management and deputy head of the University of Melbourne’s department of infrastructure engineering. He has been involved as both a researcher

and practitioner in infrastructure delivery for public and private clients and his research into projects has been widely cited in Australia and globally.

Dr Duffield has also served as an adviser to projects on risk and project restructuring and has been an independent reviewer and researcher of major engineering contracts.

He holds a Doctor of Philosophy and Master of Engineering Science from the University of Melbourne and Bachelor of Engineering from Deakin University.

Mr Duffield was appointed as a Board member in September 2014.



John Ellice-Flint

Board Member

John Ellice-Flint is a businessman and petroleum geologist.

Mr Ellice-Flint has over 40 years of international exploration, production, operations and commercial experience in the oil and gas industry.

He worked for Unocal Corporation for 28 years, where he served in a variety of senior executive roles leading global exploration, strategic planning and technology functions. He was also technical advisor to the governments and national oil companies of a number of different countries.

Mr Ellice-Flint was then Managing Director and CEO of Santos Limited from 2000 to 2008. He has been the Executive Chairman of Blue Energy Limited since June 2013 and has been a Director of the Australian Ballet since 2010. He served as the Chairman of the South Australian Museum Board from 2003 to 2011 and was Chairman of the Board of Clean Seas Limited from 2009 to 2012.

Mr Ellice-Flint was appointed as a Board member in December 2014.



Dianne Leeson

Board Member

Dianne Leeson has extensive experience in the NSW Public Sector and urban planning. Ms Leeson is currently a board member of Health Infrastructure NSW. She is also a Casual Member of the NSW Planning

Assessment Commission, member of the Sydney University Senate Building and Estates Committee, Infrastructure NSW Audit & Risk Committee, NSW Fire & Rescue Audit & Risk Committee, and NSW Communities Plus Advisory Panel.

Previously, Ms Leeson was the chair of the NSW Government’s Steering Committee for the Sydney Convention and Exhibition Centre and lead the master and statutory planning processes for the Sydney Olympic Games. She has been largely involved in NSW Government urban renewal sites such as Green Square, the Bays Precinct and Barangaroo. Ms Leeson has also worked on major project procurements and transactions such as the Port Botany Expansion, the Newcastle Port lease, Royal North Shore and Northern Beaches hospitals.

Ms Leeson holds a Bachelor of Arts (Asian Studies) from the Australian National University and a Masters in Urban and Regional Planning from the University of Sydney.

Ms Leeson was appointed as a Board member in December 2016.



Nicole Lockwood

Board Member

Nicole is the Principal of Lockwood Advisory providing strategic advice to government and the private sector in the areas of urban renewal, infrastructure and digital enablement. She is a member

of the Boards of the Water Corporation, Tourism WA, Internet of Things Alliance Australia, Chair of the Freight and Logistics Council, MNG Surveying and the Deputy Chair of Leadership WA and Pilbara for Purpose. She was recently appointed to the Expert Panel to lead the Inquiry into National Freight and Supply Chain Priorities.

Previously she was a Director at KPMG leading the government team in Management Consulting. She resided in the Pilbara for seven years until 2012 holding numerous governance roles including Shire President at the Shire of Roebourne. Nicole is a lawyer having worked in private and public practice.

She has a Bachelor of Laws as well as Bachelor of Business (Environment) from Notre Dame University.

Ms Lockwood was first appointed in May 2011.



Daniel Norton AO

Board Member

Daniel Norton has extensive industry experience at both the corporate and government levels in a wide range of sectors including infrastructure, agriculture, transport and health.

He is currently the Chairman of TasNetworks and WINconnect. Dr Norton has been the Chairman of Tasports, the National Electricity Market Management Company and Menzies Medical Research Institute, and Deputy Chairman of the Tasmanian Water & Sewerage Corporation.

He has a Bachelor of Agricultural Science from the University of Melbourne, Master of Economics from the University of New England, a PhD from North Carolina State University’s School of Economics and Business and a Hon. LLD from the University of Tasmania.

Dr Norton was appointed as a Board member in September 2014.



Kerry Schott AO
Board Member

Kerry Schott was the CEO for the NSW Government's Commission of Audit and is Chair of the Moorebank Intermodal Company Ltd, Chair of Transgrid, a Director of NBN and of TCorp NSW.

She was a member of the Infrastructure Australia Council since its inception in 2008. She was CEO and Managing Director of Sydney Water from 2006 until 2011. Prior to that she spent many years as an investment banker and public servant.

Dr Schott holds a Doctor of Philosophy from University of Oxford, a Masters of Arts from the University of British Columbia and a Bachelor of Arts from the University of New England.

Dr Schott was first appointed in April 2008 and retired in November 2016.



Gabrielle Trainor AO
Board Member

Ms Gabrielle Trainor is a non-executive director and advisor whose experience covers more than twenty years involved in the governance of organisations in the public and private sectors. Her background

is as a lawyer, newspaper journalist, public sector executive and consultant in issues management, public policy and corporate affairs.

Ms Trainor is a director of organisations including two ANZ Banking Group subsidiary boards, Cape York Partnership, and Business Events Sydney. She is a Commissioner of the AFL, a member of the board of trustees of Western Sydney University and of the Charlie Perkins Education Trust. She chairs the National Film and Sound Archive and Barnardo's Australia. She has been a director of entities including the NSW State Rail Authority, Rail Access Corporation, State Transit Authority, Power Facilities, VicUrban and Infrastructure Partners Investment Trust and was a member of the advisory board of Leighton Contractors.

Ms Trainor holds a Bachelor of Laws from the University of Melbourne and is admitted as a barrister and solicitor of the Supreme Court of Victoria. She holds a Master of Arts from Western Sydney University and is a Fellow of the Australian Institute of Company Directors.

Ms Trainor was appointed as a Board member in December 2014.



Peter Watson
Board Member

Peter Watson has over 25 years of experience in the engineering, construction and services industries. He is the non-executive Chairman of ASX-listed LogiCamms since July 2011, Chairman of Ross

River Solar Farms Pty Ltd and is currently on the Board of ASX-listed Watpac and the Advisory Board of the Victorian Major Transport Infrastructure Board supporting the Coordinator General. Mr Watson provides Governance and advisory services to a number of private and public companies.

He was the Chairman of Regional Rail Link Authority in Victoria, a position he assumed in August 2010 until its completion in October 2015. In addition, he was Chairman of AssetCo during the period June 2010 to September 2015 a company owned by IFM investors specialising in managing PPP assets. Mr Watson executive career was as CEO of Transfield Services where he grew the Australian service provider to the resource and energy sectors into a global entity during his 16-year stewardship from 1993 to 2009.

Mr Watson was appointed as a Board member in September 2014 and retired in August 2017.



Philip Davies

Chief Executive Officer

Philip Davies is the Chief Executive Officer of Infrastructure Australia.

Before joining Infrastructure Australia, Philip led AECOM's Infrastructure Advisory

business in Asia Pacific providing government and private sector clients with infrastructure advisory services.

Formerly, he was a Director of Transport for London where he led major reforms across London's surface transport business.

He is a Chartered Professional Engineer, Fellow of Engineers Australia and a Fellow of the Australian Institute of Company Directors.

Mr Davies was appointed Chief Executive Officer of Infrastructure Australia in March 2015.

Audit and Risk Committee

The Infrastructure Australia Board established the Audit, Risk & Compliance Committee (ARCC) to assist the Board in satisfying its corporate governance obligations and responsibilities including:

- Financial reporting
- Performance reporting
- Systems of risk oversight and management
- Systems of internal control.

The Committee assists the board in fulfilling its financial management, risk management and reporting obligations including those set out in the:

- *Infrastructure Australia Act (No.77 as amended)*
- *Public Governance, Performance and Accountability Act (Cth) 2013*
- *Public Governance, Performance and Accountability Rules (Cth) 2014.*

The Committee also acts as a forum for communication between the Board, Infrastructure Australia senior management, internal and external auditors and independent advisers.

The Committee members over the reporting period were:

- Kerry Schott (Chair to 30 November 2016)
- Nicole Lockwood (Chair from 1 December 2016)
- Dianne Leeson (from 1 December 2016)
- Peter Corish AM
- Peter Watson.

In addition to the ARCC, Infrastructure Australia also employs a Director of Governance to oversee the organisation's corporate governance obligations and responsibilities and develop an ongoing governance framework.

Human Resources and Administration Committee

The Infrastructure Australia Board established the Human Resources and Administration Committee (HRAC) as a source of counsel to the Chief Executive Officer (CEO) and to the Board on human resources and business administration matters.

The Committee provides support to the CEO and staff on strategic matters relating to Infrastructure Australia's resources including:

- Assisting the Infrastructure Australia Chair in the performance assessment of the CEO and providing advice on the CEO's performance management agreement
- Overseeing the further development and implementation of relevant systems and HR policies and procedures including performance management frameworks, succession planning and retention strategies
- Overseeing the systems, policies and processes to ensure compliance with relevant work health and safety requirements
- Overseeing the ongoing development of the organisation, its structure and capability to meet its strategic objectives and legislative obligations
- Supporting the aspiration of Infrastructure Australia to be an employer of choice, building, developing and maintaining a high performing organisation.

The Committee members are:

- Dan Norton AO (Chair)
- Colin Duffield
- Gabrielle Trainor AO.

Organisational Structure

Infrastructure Australia is responsible to the Minister for Urban Infrastructure, the Hon Paul Fletcher MP.

In addition to the 13 holders of public office (the Board and CEO), Infrastructure Australia engaged a team of 26 in its office in Sydney, NSW as of 30 June 2017, of these five were seconded from another Commonwealth entity.

The Infrastructure Australia office is located at 126 Phillip Street, Sydney NSW 2000.

Risk Management

Effective risk management is essential to ensure Infrastructure Australia achieves its strategic objectives and corporate plans, as well as fulfils its legislative mandate within the *Infrastructure Australia Act 2008*.

As a corporate Commonwealth entity, Infrastructure Australia must operate within the relevant rules and regulations prescribed by the *Public Governance, Performance and Accountability Act 2013* and associated rules.

Infrastructure Australia's organisational culture embraces and promotes risk management activities. To facilitate this outcome, Infrastructure Australia has embedded risk management into its systems and business processes to develop a risk management culture throughout the organisation and to optimise our ability to meet our strategic objectives.

Infrastructure Australia has adopted an enterprise risk management framework to support its corporate plan, key objectives and delivery of core business. The framework includes a tailored risk management process to ensure risks are identified and analysed consistently across all areas, and that risk evaluation is linked to practical and cost effective risk response and controls that are appropriate to the business. In addition, the risk management framework ensures that risks are regularly monitored, reviewed, and communicated to internal and external stakeholders in a timely and effective manner.

The risk management framework consists of six steps: identify, analyse, evaluate, respond, monitor, report and review.

Risk management is a core responsibility throughout all levels of the organisation. The effective management of risk is a process of continuous improvement, requiring regular review and evaluation mechanisms.

Infrastructure Australia reviews its risk management framework and the application of its risk management practices at least annually, and implements improvements arising out of such reviews, to ensure that the risk management framework remains current and relevant.

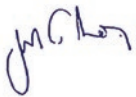


Kwinana Freeway and Mandurah rail line, Perth

Annual Performance Statement

I, as the accountable authority of Infrastructure Australia, am pleased to present the 2016-17 annual performance statements of Infrastructure Australia, as required under paragraph 39(1) (a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



Julianne Alroe
Chair

Entity Purpose

Infrastructure Australia is an independent statutory body with a mandate to prioritise and advise on nationally significant infrastructure.

Infrastructure Australia's purpose is to:

- improve decision-making on matters relating to infrastructure
- advise governments and others on infrastructure matters including the better assessment of infrastructure needs and prioritisation of infrastructure projects
- promote best practice in infrastructure planning, financing, delivery and operation.

Infrastructure Australia does this by:

- evaluating project proposals on all infrastructure proposals, excluding defence projects, where funding of more than \$100 million is sought from the Commonwealth
- regularly updating and further developing the *Infrastructure Priority List*
- undertaking research initiatives that promote best practice in the planning, funding and delivery of infrastructure.

Under the *Infrastructure Australia Act 2008*, Infrastructure Australia also has responsibility to strategically audit Australia's nationally significant infrastructure, and develop 15 year rolling Infrastructure Plans that specify national and state level priorities.



Sydney Metro track laying

Results

Criterion source	Performance criterion	Result against performance criterion
Corporate Plan & Portfolio Budget Statements	Evaluations of project proposals completed and a summary of these evaluations published on Infrastructure Australia's website.	<p>Achieved.</p> <p>The following project proposals were evaluated in 2016-17:</p> <ol style="list-style-type: none"> 1. Sydney Metro: City and Southwest – NSW 2. Armadale Rd Upgrade – WA 3. Bruce Highway Upgrade – Cooroy to Curra Section C South – QLD 4. Bruce Highway Upgrade – Mackay Ring Road – Stage 1 – QLD 5. Maldon to Dombarton Rail Link – NSW 6. The Northern Road Upgrade (between Peter Brock Drive and Jamison Road) – NSW 7. Hobart Science and Technology Precinct – Tasmania 8. Bringelly Road Upgrade Stage 2 – NSW 9. Melbourne Metro – Victoria 10. Murray Basin Rail Project – Victoria 11. Western Sydney Airport – NSW 12. Adelaide – Tarcoola Rail Upgrade Acceleration – SA 13. Forrestfield-Airport Link – WA 14. M80 Ring Road Upgrade – Victoria 15. Moorebank Intermodal Terminal – NSW 16. Bruce Highway Upgrade – Caloundra Road to Sunshine Motorway – QLD 17. Eyre Infrastructure Project (Iron Road) – SA 18. M1 Pacific Motorway – Gateway Motorway merge upgrade – QLD 19. North-South Corridor (Darlington Upgrade Project) – SA.
Corporate Plan & Portfolio Budget Statements	Publishing updated <i>Infrastructure Priority Lists</i> annually.	<p>Achieved.</p> <p>The updated <i>Infrastructure Priority List</i> was launched on 17 February 2017 and featured 100 projects and initiatives.</p>

Criterion source	Performance criterion	Result against performance criterion
<p>Corporate Plan & Portfolio Budget Statements</p>	<p>Reviewing Infrastructure Australia’s assessment framework in collaboration with all States and Territories in 2016-17.</p>	<p>Achieved. The updated Assessment Framework was published on 30 June 2017.</p>
<p>Corporate Plan & Portfolio Budget Statements</p>	<p>Delivery of research and other initiatives that provide leadership on regulatory reform objectives and promote best practice in the planning, funding and delivery of infrastructure.</p>	<p>Achieved. In 2016, Infrastructure Australia launched its infrastructure <i>Reform Series</i> to further develop policy recommendations from the <i>Australian Infrastructure Plan</i>. In 2016-17 Infrastructure Australia published two papers in the <i>Reform Series</i>:</p> <ul style="list-style-type: none"> • <i>Capturing Value: Advice on making value capture work in Australia</i> • <i>Improving Public Transport: Customer Focused Franchising</i>.



Western Sydney Airport – Stage 1

Infrastructure Priority List

As the nation's independent infrastructure advisor, Infrastructure Australia is committed to identifying and advancing the nationally-significant transport, energy, water and telecommunications projects that will support our future economic growth and prosperity.

The List is informed by the data from the Australian Infrastructure Audit and extensive consultation with State and Territory governments, business and the community.

The Priority List has become the reference point for the most important infrastructure investments Australia needs over the next 15 years. Australia's political leaders regularly consult the List as a source of informed analysis on our most pressing infrastructure needs, and to determine which projects should be prioritised for state and federal funding.

Through the List and our rigorous assessment framework, we have achieved an objective and evidence based list of the projects that will deliver the best long-term outcomes for all infrastructure users.

Over the 2016-17 reporting period, Infrastructure Australia published a newly revised *Infrastructure Priority List* identifying 100 major proposals that Australia needs over the next 15 years. This is the largest-ever number of infrastructure proposals on the Priority List.

The Infrastructure Australia Board also evaluated a record number of business cases across the period including:

1. Sydney Metro: City and Southwest – NSW
2. Armadale Rd Upgrade – WA
3. Bruce Highway Upgrade – Cooroy to Curra Section C South – QLD
4. Bruce Highway Upgrade – Mackay Ring Road – Stage 1 – QLD
5. Maldon to Dombarton Rail Link – NSW
6. The Northern Road Upgrade (between Peter Brock Drive and Jamison Road) – NSW
7. Hobart Science and Technology Precinct – Tasmania
8. Bringelly Road Upgrade Stage 2 – NSW
9. Melbourne Metro – Victoria
10. Murray Basin Rail Project – Victoria
11. Western Sydney Airport – NSW
12. Adelaide – Tarcoola Rail Upgrade Acceleration – SA
13. Forrestfield-Airport Link – WA
14. M80 Ring Road Upgrade – Victoria
15. Moorebank Intermodal Terminal – NSW
16. Bruce Highway Upgrade – Caloundra Road to Sunshine Motorway – QLD
17. Eyre Infrastructure Project (Iron Road) – SA
18. M1 Pacific Motorway – Gateway Motorway merge upgrade – QLD
19. North-South Corridor (Darlington Upgrade Project) – SA.

Importantly, many projects have been removed from the List because they have been funded and are now moving into construction. This included major projects like the Bruce Highway Upgrade (Caloundra Rd to Sunshine Motorway) (QLD), Moorebank Intermodal Terminal (NSW), the North-South Corridor (Darlington Upgrade Project) (SA), and the Perth-Forrestfield Airport Link (WA).

“An unprecedented \$60 billion wish list of 100 national priority projects will be handed to the Turnbull government... with a recommendation from Infrastructure Australia that federal and state budgets commit funds for a 15-year plan to deliver them.”

The Australian, February 25-26 2017

Project proposals evaluated for inclusion on the *Infrastructure Priority List*

Infrastructure Australia's *Infrastructure Priority List* provides rigorous, independent advice on the infrastructure investments Australia needs over the next 15 years.

The List guides decision makers on how to allocate resources, provides industry with a clear forward program of works and promotes community confidence in the economy.

Importantly, the Priority List is not static. It evolves as new challenges and needs emerge, and as projects move from initiative and project stage and then on to delivery.

Below are examples of projects evaluated by the Infrastructure Australia Board over 2016-17.

Sydney Metro & Melbourne Metro (NSW & Victoria)

The Australian Infrastructure Audit found that Australia is set to grow to 30 million people by 2031 with most of that growth centred in Melbourne, Sydney, Brisbane and Perth. To support this growth, Infrastructure Australia advocated in the *Australian Infrastructure Plan* for more high-capacity, high-frequency public transport services in our major capital cities.

In 2016-17 the Infrastructure Australia Board assessed metro projects in both Sydney and Melbourne.

The Sydney Metro project will deliver 30.5 kilometres of metro rail between Chatswood and Bankstown, including a new Sydney Harbour Tunnel Crossing. It will increase rail capacity through the Sydney CBD, improve reliability and resilience of the wider transport network, and reshape the urban profile of Sydney.

The strategic merit of this project lies not just in its ability to increase Sydney's productivity and rail network capacity but its potential to reshape the urban profile of the city. The project will enable higher density residential development along the rail corridor; providing more direct and rapid connections between where people live and work.

Similarly, the proposed Melbourne Metro would address network capacity constraints by enabling 20,000 more passengers to use Melbourne's rail network during each peak hour, and improving the reliability and efficiency of train lines serving growth areas in the city's north, west and south-east.

Melbourne Metro will be vital in improving accessibility to jobs located in central Melbourne – an area which accounts for around 6 per cent of Australia's Gross Domestic Product.

Western Sydney Airport (NSW)

As Australia's primary aviation gateway, Sydney accounts for around 40% of international services, 43% of domestic services, and 45% of international air freight.

Demand for Sydney's airport services will grow significantly in coming years. Passenger numbers are expected to reach 76 million per year by 2030 – increasing to 165 million by 2060. Kingsford Smith Airport alone would not be able to service this growth. Capacity constraints would increase the cost of doing business, hinder international trade and have adverse impacts on export-driven industries such as agriculture and manufacturing which are major employers in our regions.

The project includes initial construction of a 3,700 m runway with a parallel taxiway, and associated aviation terminal infrastructure and support precincts. Subsequent stages of development would ensure the Airport could meet longer-term passenger demand in the Sydney basin.

North-South Corridor (Darlington Upgrade Project) (SA)

The north-south corridor is one of Adelaide's most important transport corridors. It is the major route for north and south bound traffic. The North-South Corridor (Darlington Upgrade Project) is part of a broader multi-billion dollar North-South Road Corridor upgrade for the 78 kilometre section between Gawler and Noarlunga.

The project proposes the upgrade of about 3.3 kilometres of South Road between the southern end of the existing South Road, and the northern end of the Southern Expressway. It would deliver a lowered, non-stop motorway between the Southern Expressway and the north of Tonsley Boulevard, and surface roads along either side. It would include a free-flow interchange at the current Southern Expressway/Main South Road junction, together with a two-lane overpass for northbound traffic turning right onto Ayliffes Road to travel east, and the implementation of Intelligent Transport Systems (ITS).

This project has major strategic benefits as it is a key element towards completing the motorway network around Adelaide for improved accessibility and will contribute to the more efficient working of the transport sector, and provide faster journeys.



The Australian Infrastructure Audit found that Australia is set to grow to 30 million people by 2031 with most of that growth centred in Melbourne, Sydney, Brisbane and Perth.

Forrestfield-Airport Rail Link (WA)

The Forrestfield-Airport Rail Link project consists of constructing a new 8.5 km rail spur from Bayswater, mainly tunnelled, under the airport, to Forrestfield. It will include three new railway stations (Belmont, Airport Central and Forrestfield), connecting to the existing Midland line at Bayswater.

The project also includes two bus-rail interchanges at Belmont Station and Forrestfield Station. The new line will provide a fast connection between the CBD and the Airport and significantly improve accessibility to public transport in the east metropolitan region. The new rail line is expected to alleviate congestion on the road network around the airport and surrounding areas, with significant economic benefits likely to be delivered through reduced travel time savings for rail and road users.

M1 Pacific Motorway – Gateway Motorway merge upgrade (QLD)

The Pacific Motorway between Tugun and Brisbane is the busiest road corridor in Queensland, with an average of 78,500 vehicles travelling southbound per day. The corridor, which links Brisbane to Logan, the Gold Coast and New South Wales, is a key element of South East Queensland's road transport network.

The Gateway Motorway Merge upgrade will provide additional capacity for the Pacific Motorway between Tugun and Brisbane. This is the busiest road corridor in South East Queensland which sees an average of 78,500 vehicles travelling southbound per day.

Alleviating congestion on this section of the motorway would improve the overall efficiency of the National Land Transport Network in South East Queensland, with significant economic benefits likely to be delivered through reduced travel time savings for freight movements, as well as business and commuter travel.

Hobart Science and Technology Precinct (Tasmania)

The relocation of the University of Tasmania STEM facilities from Sandy Bay to Hobart CBD was identified as an Initiative on the 2016 *Infrastructure Priority List*.

The proposal is for the development of a purpose-built STEM facility for tertiary education, research and training in the Hobart CBD. This would relocate the University of Tasmania's Faculty of Science, Engineering and Technology from the existing campus at Sandy Bay to a new facility in the Hobart CBD. The proposed 45,050 m² facility would initially accommodate 3,000 students and 700 staff.

The development would be supported by ongoing university and government programs and policies to increase higher education participation in Tasmania, and would also bring about further urban regeneration of Hobart's CBD.



Hobart Science and Technology Precinct concept

Moving through the project lifecycle

The Infrastructure Priority List provides decision makers with advice and guidance on specific infrastructure investments that will underpin Australia's continued prosperity.

The Priority List is a living document and is regularly reviewed and updated by the independent Infrastructure Australia Board as robust, evidence-based proposals for nationally-significant projects move through stages of development and delivery.

Our independent assessments of infrastructure proposals supports high quality project development and decision making – from problem identification, to option and business case development, project funding, delivery and operation.

Ultimately, the Priority List supports transparent, evidenced-based decision making, enabling decision-makers to select the projects that deliver the most community benefits.

Once our advice is provided publicly, the project is ready for delivery by the proponent.

Below are examples of projects assessed by the Infrastructure Australia Board since 2014 that are now under delivery or completed.

1. Sydney Metro City & Southwest – NSW
2. The Northern Road Upgrade – NSW
3. Moorebank Intermodal Terminal – NSW
4. Bringelly Road Upgrade Stage 1 and 2 – NSW
5. NorthConnex – NSW
6. Melbourne Metro – Victoria
7. Murray Basin Rail Project – Victoria
8. M80 Ring Road upgrade – Victoria
9. CityLink-Tullamarine Widening Project – Victoria
10. Main Road, St Albans Level Crossing Removal – Victoria
11. Princes Highway West Duplication – Victoria
12. Bruce Highway Upgrade – Cooroy to Curra Section C – QLD
13. Bruce Highway Upgrade – Mackay Ring Road Stage 1 – QLD
14. Bruce Highway Upgrade – Caloundra Road to Sunshine Motorway – QLD
15. Ipswich Motorway (Rocklea to Darra stage 1c) – QLD
16. M1 Pacific Motorway – Mudgeeraba to Varsity Lakes – QLD
17. Gateway Motorway Upgrade North – QLD
18. Armadale Road Upgrade – WA
19. Perth-Forrestfield Airport Link – WA
20. North-South Corridor (Darlington Upgrade Project) – SA
21. Mitchell Freeway extension Burns Beach Road to Hester Avenue – WA
22. Tasmanian Irrigation Tranche Two – TAS.



“The *Australian Infrastructure Plan*, and its companion document the *Infrastructure Priority List*, provides a positive reform and investment roadmap for Australia and has already been an effective tool in informing decisions by the Australian Government about which further reforms to progress, and over time, investment decisions.”

Australian Government Response to the *Australian Infrastructure Plan*, 24 November 2016

“The Australian Government is supporting 69 of the 78 recommendations made by Infrastructure Australia as part of our plan for a stronger nation and a more prosperous economy, confirming that the IA 15-Year Plan will guide key infrastructure policy direction.”

Minister for Urban Infrastructure Paul Fletcher, 24 November 2016

“That is why *Infrastructure Australia’s* independent 15-Year Plan and Priority List forms the backbone of our investment decisions...”

Prime Minister Malcolm Turnbull, The Australian Financial Review, 8 June 2017

Government response to the *Australian Infrastructure Plan*

On 17 February 2016, the *Australian Infrastructure Plan* was launched by the Prime Minister, the Hon Malcolm Turnbull MP in Brisbane.

The Plan was developed through a collaborative 18-month process of research and consultation following the release of the Northern Australia Audit, and the Australian Infrastructure Audit in 2015.

The Australian Government delivered its official response to the 15-year *Australian Infrastructure Plan* on 24 November 2016.

Key recommendations from the Plan supported in the Government’s statement included:

- Using government incentive payments to drive infrastructure reform at the state and territory level
- Examining opportunities to streamline the public funding streams for infrastructure, to deliver greater efficiency and reduce overlap
- Increased investment in planning and project development work to bring forward business cases for the projects now listed on the *Infrastructure Priority List*
- Working to protect transport corridors and precincts for the future
- Exposure of public transport services to contestable supply through franchising to drive better outcomes for users
- Making Australian government funding contingent on agreeing to post-completion reviews of major infrastructure projects
- A greater focus on metropolitan rail in our capital cities by working with state governments to develop urban rail plans for Australia’s five major cities
- A commitment to work with State and Territory governments on policies to make better use of existing infrastructure.

The Government particularly committed to progressing two key issues: road market reform; and developing a National Freight and Supply Chain Strategy.

As outlined in the Plan, the current funding model to build and maintain Australian roads is inefficient, unsustainable and unfair. To deliver the major projects our nation needs for the future there must be a clearer funding base.

“The commitment to a detailed, independent and thorough process to restructure Australia’s road networks is a breakthrough... This is a good response to a good plan and we look forward to implementation of these changes.”

**Infrastructure Partnerships Australia,
24 November 2016**

Infrastructure Australia advocated in the Plan for current fuel excise and vehicle registration fees to be abolished and road users to only be charged for what they use.

The Government publicly committed to a study on the potential improvements and impacts of road market reform. Infrastructure Australia sees real public benefit in moving to a fairer approach to road charging, where the revenue raised from road users is all put back into funding transport infrastructure.

Road-funding reform can deliver secure, sustainable funding for our roads – and better services for users. However, deep public consultation on the potential benefits and trade-offs is essential.

The *Australian Infrastructure Plan* also highlighted the need for a National Freight and Supply Chain Strategy that defines nationally significant freight corridors and precincts. Done well, this Strategy will identify the network constraints and gaps, and outline the investments and policies needed to overcome these challenges.



North South Road Corridor in South Australia

Infrastructure Reform Series

Following on from the release of the *Australian Infrastructure Plan* and the Government's response, in 2016-17 Infrastructure Australia has developed an ongoing policy and research function that publishes reform recommendations under the *Reform Series* banner.

In 2016-17 two *Reform Series* papers were released – Value Capture and Franchising – with more planned in 2017-18 and beyond.

Capturing Value: Advice on making value capture work in Australia

In 2016, Infrastructure Australia released its first *Reform Series* paper: *Capturing Value: Advice on making value capture work in Australia*. This paper provided realistic guidance to governments and the private sector on how value capture can be applied in the Australian context.

In the advisory paper, Infrastructure Australia argued that value capture can work in Australia and should be regularly considered for all public infrastructure projects, but it is important to be realistic about the role it can play in funding the infrastructure we need.

With Government budgets under significant constraint, funding for infrastructure must compete with recurrent expenses such as health and education spending, which is why the *Australian Infrastructure Plan* highlighted the importance of diversifying the available sources of infrastructure funding.

Value capture is a powerful tool for governments to help bridge the funding gap. It can help to stretch public funding for infrastructure further, and make the infrastructure funding mix more equitable by seeking more from those who benefit most from new infrastructure while reducing the burden on other taxpayers.

However, poorly designed or implemented value capture runs the risk of taking more than a fair share and unnecessarily increasing project financing and administration costs. It could also introduce inefficiencies in the housing, employment and investment markets.

“The release of ‘Capturing Value: Advice on making value capture work in Australia’ by Infrastructure Australia... was a significant contribution to the debate about how we fund Australia’s future infrastructure needs.”

Property Council of Australia,
15 December 2016

The Value Capture paper argues that the most efficient approach to capturing value is land tax. A broad-based land tax could provide governments with a reliable stream of funding that efficiently and fairly reflects the productive value of land.

Broadening the land tax system, in addition to the removal of other inefficient charges such as stamp duties, could provide a fairer, more efficient way of capturing land value uplift.

Improving Public Transport: Customer Focused Franchising

On 26 May 2017, Infrastructure Australia released its second *Reform Series* paper. *Improving Public Transport: Customer Focused Franchising* provided further evidence of how franchising more of Australia’s government-owned public transport services can deliver better service outcomes for commuters and better value for taxpayers.

Experience both in Australia and overseas shows that public transport franchising can deliver better services for commuters and significant savings for taxpayers.

Based on modelling conducted by PwC, it shows that franchising public transport services traditionally operated by state, territory and some local governments could deliver up to \$15.5 billion in taxpayer savings by 2040.

“The NRMA has today welcomed Infrastructure Australia’s calls for an overhaul of public transport delivery to enhance the customer experience and free up public funds for investment in other essential services.”

National Roads and Motorists Association, 26 May 2017

The paper recommended a new policy approach to franchising – Customer Focused Franchising. Under this model the savings achieved through franchising a public transport service are re-invested back into our public transport networks to help fund new trains and buses, station upgrades or additional capacity on our networks.

Delivered in a tightly-regulated environment with clear performance targets, Customer Focused Franchising represents an opportunity to grow the provision of customer-focused public transport in our cities and deliver higher quality services.

Updated Assessment Framework

All of the projects and initiatives on the *Infrastructure Priority List* have been assessed through Infrastructure Australia’s assessment framework. The framework was developed in close consultation with the state and territory governments.

The Assessment Framework sets out the process Infrastructure Australia uses to consider initiatives and projects for inclusion on the *Infrastructure Priority List*. The Framework provides information about how initiatives and projects are assessed, to enable proponents to develop their submissions.

The Infrastructure Australia Act requires that the Assessment Framework be reviewed at least every two years. This ensures that it remains current, and consistent with similar frameworks used elsewhere in Australia and overseas.

On 30 June 2017 an updated Infrastructure Australia Assessment Framework was released.

This Assessment Framework update has focused on:

- Merging the Assessment Framework overview and the detailed technical guidance into a single document
- Updating the existing templates, and developing new checklists, to simplify the submission process for proponents
- Providing better clarity on the role of Infrastructure Australia and the proponent at each step of the five-stage assessment process.

Infrastructure Australia will continue to update the Framework to align with current best-practice, and to respond to feedback from proponents and other stakeholders.

Across the reporting period, in terms of cost benefit economic analysis, Infrastructure Australia used a standard method using discounted cash flow analysis to compare different costs and benefits, in order to determine a net benefit or a net cost for each project. Our approach assumed that all cost and benefit items are equally weighted. No other methods of preparing a cost benefit analysis were used in the period.¹

1. Refer to section 39C(b) of the *Infrastructure Australia Act 2008*

Building Better Business Cases

Working collaboratively with proponents to promote and support high quality business case development and decision making has been a key focus for Infrastructure Australia in 2016-17.

In addition to the regular engagement with proponents on submitted business cases, Infrastructure Australia ran a national series of Building Better Business Cases workshops across the country.

Designed to bring project proponents, government officials and their advisers together to improve the quality of cost-benefit analysis and business cases, the workshops provided a forum to discuss the process and Infrastructure Australia's guidelines.

The detailed work we have done with project proponents is seeing substantial returns supporting high quality proposal development and decision making.

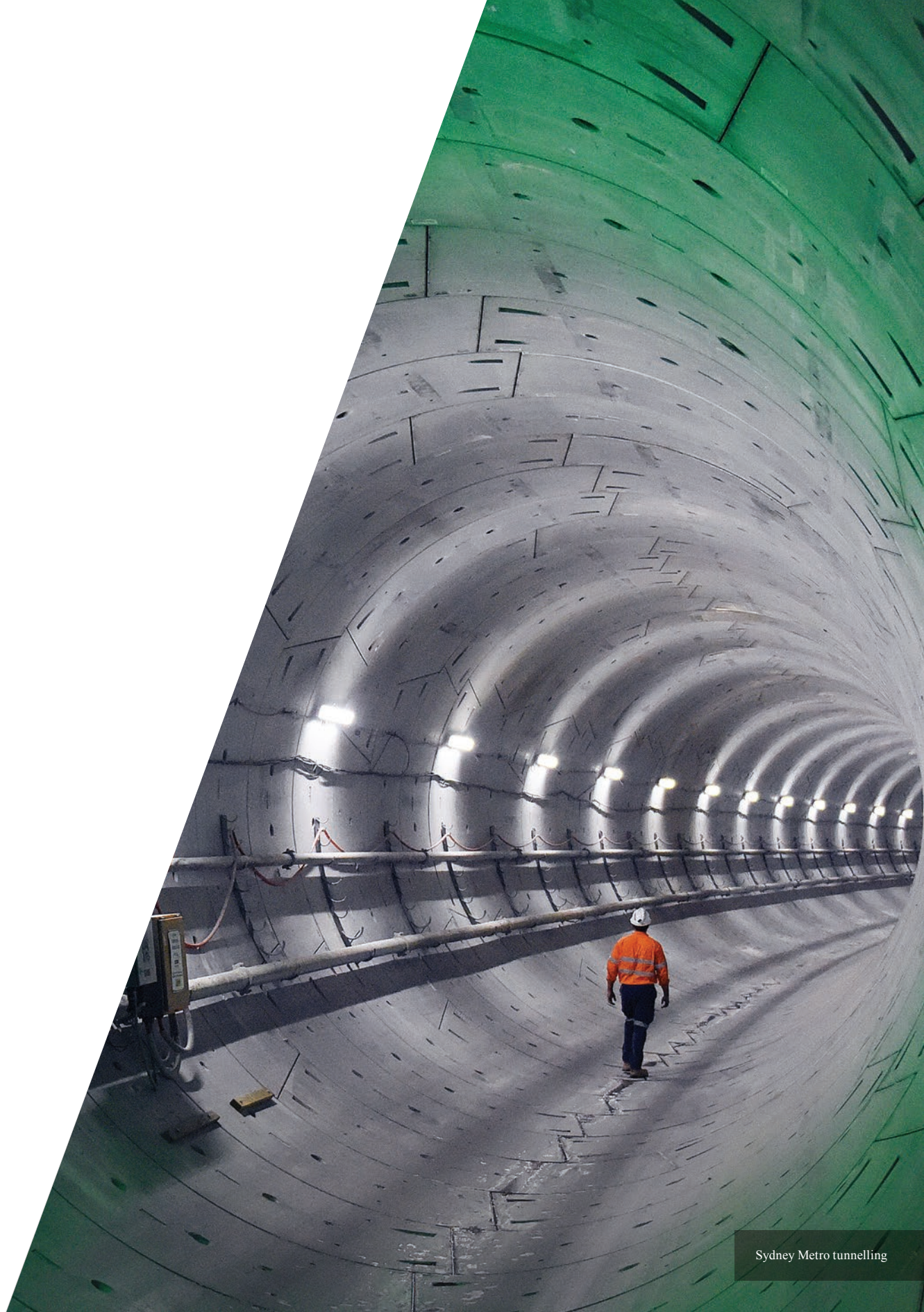
In the past year, we have seen significant improvements in integrated, long-term infrastructure planning and business case development – from identifying an infrastructure problem and potential solutions to developing a business case and determining project funding, delivery and operation.

Raising the standard of business cases developed for major projects takes time, but we are committed to working closely with governments, industry and the community to help deliver the best infrastructure outcomes for all Australians.

Building the Internal Corporate Functions of Infrastructure Australia

Infrastructure Australia places a high priority on developing the capability to provide high quality advice to governments and the community.

In 2016-17 Infrastructure Australia further developed our in-house capabilities to provide governance and corporate services. This included systems, structures and processes that enable the organisation to fulfil its duties as an independent statutory body that provides high quality advice on infrastructure matters.



Financial Statements





INDEPENDENT AUDITOR'S REPORT

To the Minister for Urban Infrastructure

Opinion

In my opinion, the financial statements of Infrastructure Australia for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Infrastructure Australia as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of Infrastructure Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Board, Chief Executive Officer and General Manager Corporate Services;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Infrastructure Australia in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants to the extent that they are not in conflict with the Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of Infrastructure Australia the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing Infrastructure Australia's ability to continue as a going concern, taking into account whether Infrastructure Australia's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when

it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Lesla Craswell
Acting Executive Director

Delegate of the Auditor-General

Canberra
7 September 2017

INFRASTRUCTURE AUSTRALIA

Statement by the Board, Chief Executive Officer and General Manager Corporate Services

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the corporate Commonwealth entity will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.



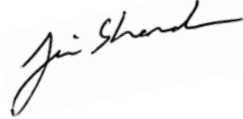
Julianne Alroe
Chair

7 September 2017



Philip Davies
Chief Executive Officer

7 September 2017



Jim Shanahan
General Manager Corporate Services

7 September 2017

Objectives of Infrastructure Australia

Infrastructure Australia is a Corporate Commonwealth entity established on 1 September 2014 following amendment of the Infrastructure Australia Act 2008.

On 1 September 2014 relevant assets, liabilities and the balance of the Infrastructure Australia Special Account were transferred to Infrastructure Australia from the Department of Infrastructure and Regional Development (DIRD).

Infrastructure Australia is structured to meet the following outcome:

Outcome 1: Improve decision-making on matters relating to infrastructure; advise governments and others on matters relating to infrastructure, including better assessment of infrastructure needs and prioritisation of infrastructure projects; and promote best practice infrastructure planning, financing, delivery and operation.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by Section 42 of the *Public Governance, Performance and Accountability Act 2013*. The financial statements have been prepared in accordance with:

1. *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015
2. Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Indemnities and Insurances for Officers

In 2016-17 Infrastructure Australia held general liability, professional indemnity, officers' liability, and a range of other corporate insurance. In 2016-17 Infrastructure Australia held insurance protecting directors and officers from liability for the consequences of wrongful acts as defined in Infrastructure Australia's Comcover policy.

New Accounting Standards

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. All new, revised or amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the entity's financial statements.

Taxation

Infrastructure Australia is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Events after the Reporting Period

No events have occurred after the reporting period that require disclosure in these financial statements.



INFRASTRUCTURE AUSTRALIA

Statement of Comprehensive Income for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget \$
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	4,782,112	3,988,277	5,339,941
Suppliers	1.1B	6,595,175	7,365,656	6,233,209
Depreciation and amortisation	2.2A	104,765	59,149	21,387
Write-Down and Impairment of Assets	1.1C	21	–	–
Total expenses	–	11,482,073	11,413,082	11,594,537
Own-Source income				
Own-Source revenue				
Interest	1.2A	130,056	28,916	13,537
Total own-source revenue	–	130,056	28,916	13,537
Gains				
Other Gains	1.2B	1,135	–	–
Total gains	–	1,135	–	–
Total own-source income	–	131,191	28,916	13,537
Net (cost of)/contribution by services	–	(11,350,882)	(11,384,166)	(11,581,000)
Revenue from Government	1.2C	11,581,000	11,768,000	11,581,000
Surplus before income tax on continuing operations	–	230,118	383,834	–
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus	–	(126)	28,617	–
Total other comprehensive income	–	(126)	28,617	–
Total comprehensive income attributable to the Australian Government		229,992	412,451	–

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Statement of Comprehensive Income

Expenses

Employee benefit expense is lower than budgeted due to unfilled new positions established to increase internal capacity and reduce the reliance on external contractors.

Supplier expenses are higher than budgeted as a result of utilising more contracted services to account for the delay in the recruitment of new positions.

There were savings compared to budget in consulting services and Infrastructure Australia's Service Level agreement with the Department of Infrastructure & Regional Development (DIRD) due to the renegotiation of the agreement during the year.

Own Source Revenue

As part of its separation from the DIRD, in 2015/16 Infrastructure Australia established its own bank accounts. At the point of budgeting it was unknown what level of interest income Infrastructure Australia would be able to achieve. Actual interest earned was greater than that budgeted.

INFRASTRUCTURE AUSTRALIA

Statement of Financial Position for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget \$
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	5,616,269	6,112,596	4,080,000
Trade and other receivables	2.1B	93,610	158,584	31,000
Total financial assets	–	5,709,879	6,271,180	4,111,000
Non-financial assets				
Buildings	2.2A	200,000	266,667	–
Plant and equipment	2.2A	52,760	70,600	19,000
Other non-financial assets	2.2B	139,573	111,513	862,000
Total non-financial assets	–	392,333	448,780	881,000
Total assets	–	6,102,212	6,719,960	4,992,000
LIABILITIES				
Payables				
Suppliers	2.3A	1,668,501	2,582,818	660,000
Other payables	2.3B	455,175	464,485	960,000
Total payables	–	2,123,676	3,047,303	1,620,000
Provisions				
Employee provisions	4.1A	254,588	178,701	234,000
Total provisions	–	254,588	178,701	234,000
Total liabilities	–	2,378,264	3,226,004	1,854,000
Net assets	–	3,723,948	3,493,956	3,138,000
EQUITY				
Contributed equity	–	(1,263,525)	(1,263,525)	(1,263,525)
Asset revaluation reserve	–	28,491	28,617	–
Retained surplus	–	4,958,982	4,728,864	4,401,525
Total equity	–	3,723,948	3,493,956	3,138,000

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Statement of Financial Position

Financial Assets

Cash is higher in 2016/17 compared to budget due to the balance of outstanding invoices payable at year end.

Trade and other receivables are greater than budget as GST receivable was not included in the budget.

Non-Financial Assets

The Leasehold improvement asset was not recognised in the budget.

Plant and equipment has increased by \$34K as a result of a revaluation of \$29K at 30 June 2016 and acquisitions made since the budget.

Other non-financial assets are pre-payments at year end, of which \$90K relate to rent and outgoing expenses. The budgeted Other non-financial assets include the misstatement of a lease incentive asset of \$750K.

Payables

Supplier payables are greater than budget as a result of invoices unpaid at year end. This has resulted in a higher than budgeted cash position.

Other payables includes \$108K of PAYG not included in FY2016/17 budget as payroll was outsourced to the DIRD.

Budgeted other payables includes overstatement of lease incentive of \$576K.

Provisions

Employee provisions are higher than budget due to employees taking less leave than anticipated during FY2016/17.

INFRASTRUCTURE AUSTRALIA

Statement of Changes in Equity for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget \$
CONTRIBUTED EQUITY				
Opening balance				
	–	(1,263,525)	(1,263,525)	(1,263,525)
Adjusted opening balance	–	(1,263,525)	(1,263,525)	(1,263,525)
Closing balance as at 30 June	–	(1,263,525)	(1,263,525)	(1,263,525)
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period	–	4,728,864	4,345,030	4,401,525
Adjusted opening balance	–	4,728,864	4,345,030	4,401,525
Comprehensive income				
Surplus for the period	–	230,118	383,834	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	230,118	383,834	–
Closing balance as at 30 June	–	4,958,982	4,728,864	4,401,525
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period	–	28,617	–	–
Opening balance	–	28,617	–	–
Comprehensive income				
Other comprehensive income	–	(126)	28,617	–
Total comprehensive income	–	(126)	28,617	–
Closing balance as at 30 June	–	28,491	28,617	–

	Notes	2017 \$	2016 \$	Original Budget \$
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period	–	3,493,956	3,081,505	3,138,000
Opening balance	–	3,493,956	3,081,505	3,138,000
Comprehensive income				
Surplus for the period	–	230,118	383,834	–
Other comprehensive income	–	(126)	28,617	–
Total comprehensive income	–	229,992	412,451	–
Transactions with owners				
Distributions to owners				
Returns on capital	–	–	–	–
Restructuring	–	–	–	–
Total transactions with owners	–	–	–	–
Closing balance as at 30 June	–	3,723,948	3,493,956	3,138,000

The above statement should be read in conjunction with the accompanying notes.

Accounting Policy

Equity Injections

Amounts that are designated as 'equity injections' for a year are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Budget Variances Commentary

Statement of Changes in Equity

Retained Surplus

The variance in retained earnings is due to the carry forward of 2015/16 surplus of \$384K.

Asset Revaluation

A revaluation of non-financial assets in June 2016, resulted in an increase in the net value of Information Technology equipment of \$29K.

INFRASTRUCTURE AUSTRALIA

Cash Flow Statement

for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget \$
OPERATING ACTIVITIES				
Cash received				
Receipts from Government	–	11,581,000	16,109,502	11,581,000
Interest	–	129,781	28,916	14,000
Net GST received	–	–	523,765	–
Total cash received	–	11,710,781	16,662,183	11,595,000
Cash used				
Employees	–	4,610,088	3,937,916	5,148,000
Suppliers	–	7,577,751	6,605,882	5,949,000
Total cash used	–	12,187,839	10,543,798	11,097,000
Net cash used by operating activities	–	(477,058)	6,118,385	498,000
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment	–	19,269	5,789	–
Total cash used	–	19,269	5,789	–
Net cash used by investing activities	–	(19,269)	(5,789)	–
Net increase/(decrease) in cash held	–	(496,327)	6,112,596	498,000
Cash and cash equivalents at the beginning of the reporting period	–	6,112,596	–	3,582,000
Cash and cash equivalents at the end of the reporting period	2.1A	5,616,269	6,112,596	4,080,000

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Cash Flow Statement

Cash received

Cash received is higher than budget due to the receipt of additional interest earned on deposits.

Cash used is higher than budget due to the large amount of accrued supplier expenses as at June 2016, that was paid during FY2016/17.

There were purchases of plant and equipment during FY2016/17 that were not budgeted for.



Construction for Melbourne Metro

Notes to and forming part of the Financial Statements

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Financial Performance

This section analyses the financial performance of Infrastructure Australia for the year ended 2017.

1.1 Expenses

	2017 \$	2016 \$
1.1A: Employee and Members Benefits¹		
Wages and salaries	3,975,538	3,321,283
Superannuation		
Defined contribution plans	435,029	341,989
Defined benefit plans	28,924	43,733
Leave and other entitlements	342,621	281,272
Separation and redundancies	–	–
Total employee benefits	4,782,112	3,988,277

1. Employee expenses include payment for employees seconded from the Department of Infrastructure and Regional Development.

Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

	2017 \$	2016 \$
1.1B: Suppliers		
Goods and services supplied or rendered		
Contractors	4,287,016	5,523,659
Travel	385,540	324,049
Property operating costs	249,343	230,112
Publications and subscriptions	164,537	98,809
Recruitment expenses	38,217	84,683
Training, conferences and seminars	85,950	43,859
Audit fees – External	55,000	60,000
Audit fees – Internal	93,160	–
Stationery, printing and postage	104,439	49,849
IT communication	80,432	34,040
Consultants	36,764	10,415
Other	153,601	45,404
Total goods and services supplied or rendered	5,733,999	6,504,879

	2017 \$	2016 \$
Goods supplied	103,690	46,859
Services rendered	5,630,309	6,458,020
Total goods and services supplied or rendered	5,733,999	6,504,879
Other suppliers		
Operating lease rentals	861,176	860,777
Total other suppliers	861,176	860,777
Total suppliers	6,595,175	7,365,656

Leasing commitments

Infrastructure Australia in its capacity as a lessee has entered into an operating lease for office accommodation purposes. Lease payments are subject to a fixed price increase as per the lease agreement. The operating lease is effectively non-cancellable.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	905,815	858,695
Between 1 to 5 years	1,961,084	2,866,899
More than 5 years	–	–
Total operating lease commitments	2,866,899	3,725,594

Accounting Policy

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets. The lease incentive is recognised on a straight line basis in line with the useful life of the leasehold improvement asset.

1.1C: Write-Down and Impairment of Assets

Impairment of property, plant and equipment	147	–
Disposal against asset revaluation reserve	(126)	–
Total write-down and impairment of assets	21	–

1.2 Own-Source Revenue

	2017 \$	2016 \$
1.2A: Interest		
Deposits	<u>130,056</u>	<u>28,916</u>
Total interest	<u>130,056</u>	<u>28,916</u>

Accounting Policy

Interest revenue is recognised using the effective interest method.

1.2B Other Gains

Resources received free of charge

Plant and equipment	<u>1,135</u>	<u>–</u>
Total other gains	<u>1,135</u>	<u>–</u>

Accounting Policy

Resources Received Free of Charge

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements.

1.2C: Revenue from Government

Corporate Commonwealth entity payment item	<u>11,581,000</u>	<u>11,768,000</u>
Total supplement from Department of Infrastructure and Regional Development	<u>11,581,000</u>	<u>11,768,000</u>

Accounting Policy

Funding received or receivable from the Department of Infrastructure and Regional Development is recognised as Revenue from Government, unless they are in the nature of an equity injection or loan.

Financial Position

This section analyses Infrastructure Australia's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

	2017 \$	2016 \$
2.1A: Cash and cash equivalents		
Cash on hand or on deposit	5,616,269	6,112,596
Total cash and cash equivalents	5,616,269	6,112,596

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents include cash on hand.

2.1B: Trade and other receivables

Appropriations receivables

Receivable from the Department of Infrastructure and Regional Development	–	452
Total appropriations receivables	–	452

Other receivables

Interest receivables	275	–
Employee receivables	–	89,438
GST receivable from the Australian Taxation Office	93,335	68,694
Total other receivables	93,610	158,132
Total trade and other receivables	93,610	158,584

Accounting Policy

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

2.2 Non-Financial Assets

	Buildings – Leasehold Improvement \$	Plant and equipment \$	Total \$
2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment			
As at 1 July 2016			
Gross book value	300,000	70,600	370,600
Accumulated depreciation and impairment	(33,333)	–	(33,333)
Total as at 1 July 2016	266,667	70,600	337,267
Additions			
Purchase	–	19,269	19,269
Resources received free of charge	–	1,135	1,135
Depreciation	(66,667)	(38,098)	(104,765)
Disposals			
Write-Down and Impairment of Assets	–	(21)	(21)
Changes in asset revaluation reserve	–	(126)	(126)
Total as at 30 June 2017	200,000	52,759	252,759
Total as at 30 June 2017 represented by			
Gross book value	300,000	90,465	390,465
Accumulated depreciation and impairment	(100,000)	(37,705)	(137,705)
Total as at 30 June 2017	200,000	52,760	252,760

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated below. On 30 June 2016, an independent valuer conducted the revaluations.

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a revaluation decrement of the same asset class that was recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciable property, plant and equipment assets are written-down to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight line method of depreciation.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Asset Class	2017	2016
Buildings (Leasehold improvements)	Shorter of lease term or expected useful economic life	Shorter of lease term or expected useful economic life
Plant and equipment	3 to 100 years	3 to 100 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to dispose and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Infrastructure Australia were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Accounting Judgements and Estimates

The fair value of leasehold improvements and property, plant and equipment assets was determined using depreciated replacement cost as determined by an independent valuer.

	2017 \$	2016 \$
2.2B: Other non-financial assets		
Prepayments	139,573	111,513
Total other non-financial assets	139,573	111,513

No indicators of impairment were found for other non-financial assets

2.3 Payables

	2017 \$	2016 \$
2.3A: Suppliers		
Trade creditors and accruals	1,465,404	1,146,547
Payable to the Department of Infrastructure and Regional Development	203,097	1,436,271
Total suppliers	1,668,501	2,582,818
<i>Settlement is usually made within 30 days.</i>		
2.3B: Other payables		
Wages and salaries	7,192	83,267
Employee statutory liabilities	108,430	–
Superannuation	713	26,369
Lease incentive	338,840	354,849
Total other payables	455,175	464,485

Funding

This section identifies Infrastructure Australia's funding structure.

3.1 Net Cash Appropriation Arrangements

	2017 \$	2016 \$
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations	334,883	471,600
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(104,765)	(59,149)
Total comprehensive income – as per the Statement of Comprehensive Income	230,118	412,451

People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

4.1 Employee Provisions

	2017 \$	2016 \$
4.1A: Employee provisions		
Leave	254,588	178,701
Total employee provisions	254,588	178,701

Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly (as described in the note below).

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Infrastructure Australia is estimated to be less than the annual entitlement for sick leave.

Leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the shorthand method as permitted in the Financial Reporting Rule (FRR). The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation and is discounted using Commonwealth Government bond rates.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. Infrastructure Australia recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of Infrastructure Australia are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance's administered schedules and notes.

Infrastructure Australia makes employer contributions to the employees' superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of Infrastructure Australia employees. Infrastructure Australia accounts for the contributions as if they were contributions to defined contribution plans.

Accounting Judgements and Estimates

Employee provisions included in this note have been estimated using present value techniques in accordance with the shorthand method as permitted by the FRR. This takes into account expected salary growth and future discounting using bond rates.

4.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Board Members, Chief Executive Officer, Executive Directors, Directors & General Managers. Key management personnel remuneration is reported in the table below:

	2017 \$	2016 \$
Short-term employee benefits	2,709,479	2,061,764
Post-employment benefits	303,022	279,690
Other long-term employee benefits	36,290	194,926
Total key management personnel remuneration expenses¹	3,048,791	2,536,380

The total number of key management personnel that are included in the above table are 24 (2016: 20)

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

4.3 Related Party Disclosures

Related party relationships:

Infrastructure Australia is an Australian Government controlled entity. Related parties to this entity are The Board members, Executive and Directors, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Significant transactions with related parties can include:

- the payments of grants or loans
- purchases of goods and services
- asset purchases, sales transfers or leases
- debts forgiven
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by Infrastructure Australia, it has been determined that there are no related party transactions to be separately disclosed.

Managing Uncertainties

This section analyses how Infrastructure Australia manages financial risks within its operating environment.

5.1 Contingent Assets and Liabilities

Infrastructure Australia does not have any quantifiable or unquantifiable contingencies (2016: nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

5.2 Financial Instruments

	2017 \$	2016 \$
5.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	5,616,269	6,112,596
Trade and other receivables	275	89,438
Total loans and receivables	5,616,544	6,202,034
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	1,668,501	2,582,818
Total financial liabilities measured at amortised cost	1,668,501	2,582,818
Total financial liabilities	1,668,501	2,582,818

Accounting Policy

Infrastructure Australia classifies its financial assets as loans and receivables. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial Liabilities

Financial liabilities are classified as other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2017	2016
	\$	\$
5.2B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	130,056	28,916
Net gains on loans and receivables	130,056	28,916
Net gains on financial assets	130,056	28,916

5.3 Fair Value Measurement**Accounting Policy**

Infrastructure Australia revalues its non-financial assets every 2-3 years as deemed appropriate, using valuation experts.

Infrastructure Australia deems transfers between levels of fair value hierarchy to have occurred at the date of the event or change in circumstances that caused the transfer.

	Fair value measurements at the end of the reporting period	
	2017	2016
	\$	\$
5.3A: Fair Value Measurement		
Non-financial assets		
Buildings – leasehold	200,000	266,667
Plant and equipment	52,760	70,600
Other non-financial assets	139,573	111,513

Non-financial assets were revalued in 2015/16 by valuation experts. Infrastructure Australia have relied on the valuations made by these experts. The experts provided written assurance that the model developed to value assets is in compliance with AASB13 and represents their highest and best use.

Changing inputs to the level 2 hierarchy valuations to reasonably possible alternate assumptions would not significantly change amounts recognised in net cost of service or other comprehensive income.

Regulatory Reporting Index

Under section 17BE(u) of the Public Governance, Performance and Accountability Rule 2014 entities are required to provide an index identifying where the requirements of 17BE are located in the Annual Report.

This is provided below:

Contents of Annual Report	Page no.
Approval of the Report by Directors.	35
Details of the legislation establishing the body; both of the following: <ul style="list-style-type: none"> • a summary of the objects and functions of the entity as set out in the legislation • the purposes of the entity as included in the entity's corporate plan for the period. 	6, 16
The names of the persons holding the position of responsible Minister or responsible Ministers during the period, and the titles of those responsible Ministers.	6
Any directions given to the entity by a Minister under an Act or instrument during the period.	N/A
Any government policy orders that applied in relation to the entity during the period under section 22 of the Act.	N/A
If, during the period, the entity has not complied with a direction or order particulars of the non-compliance.	N/A
The annual performance statements for the entity for the period.	16
A statement of any significant issue reported to the responsible Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with the finance law in relation to the entity if a statement is included under paragraph (h) of this section – an outline of the action that has been taken to remedy the non-compliance.	N/A



Contents of Annual Report	Page no.
Information on the accountable authority, or each member of the accountable authority, of the entity during the period, including: <ul style="list-style-type: none"> • the name of the accountable authority or member • the qualifications of the accountable authority or member • the experience of the accountable authority or member • for a member – the number of meetings of the accountable authority attended by the member during the period • for a member – whether the member is an executive member or non-executive member. 	8
An outline of the organisational structure of the entity (including any subsidiaries of the entity).	14
An outline of the location (whether or not in Australia) of major activities or facilities of the entity.	14
Information in relation to the main corporate governance practices used by the entity during the period.	13
The decision-making process undertaken by the accountable authority for making a decision if: <ul style="list-style-type: none"> • the decision is to approve the entity paying for a good or service from another Commonwealth entity or a company, or providing a grant to another Commonwealth entity or a company • the entity, and the other Commonwealth entity or the company, are related entities • the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, is more than \$10,000 (inclusive of GST). 	N/A
Any significant activities and changes that affected the operations or structure of the entity during the period.	N/A
Particulars of judicial decisions or decisions of administrative tribunals made during the period that have had, or may have, a significant effect on the operations of the entity.	N/A

Contents of Annual Report	Page no.
Particulars of any report on the entity given during the period by: <ul style="list-style-type: none"> • the Auditor-General, other than a report under section 43 of the Act (which deals with the Auditor-General's audit of the annual financial statements for Commonwealth entities) • a Committee of either House, or of both Houses, of the Parliament • the Commonwealth Ombudsman • the Office of the Australian Information Commissioner. 	N/A
If the accountable authority has been unable to obtain information from a subsidiary of the entity that is required to be included in the annual report – an explanation of the information that was not obtained and the effect of not having the information on the annual report.	N/A
Details of any indemnity that applied during the period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	33
An index identifying where the requirements of this section and section 17BF (if applicable) are to be found.	58



Annual Report

2016-17

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