Private dollars for a public good

Professor Phillip O’Neill, of the Urban Research Centre, is leading an international team investigating how private financing of public infrastructure projects is reshaping our cities. This Australian Research Council funded project, involving partner investigators from the Open University UK, aims to ascertain what influences are at work in reconciling society’s desire for efficient and affordable roads, utilities and other public goods with the private sector’s need to make a profit.

‘The headline “infrastructure crisis” is used across the OECD to depict deficiencies in the maintenance of old infrastructure and delays in the design, funding and operation of new stock,’ says Professor O’Neill. ‘Within a context of crisis, however, clear trends are emerging with private sector involvement now normal. Yet the state is expected still to take prime responsibility for the rollout and maintenance of urban infrastructure while meeting investor demands for competitive and secure rates of return.’

The Global Financial Crisis left governments in all corners of the developed world deep in debt and looking for ways to cut costs, rather than more ways to spend money. At the same time, ageing infrastructure is in need of expensive maintenance or replacement and new infrastructure is needed to reconfigure cities to deal with population and environmental pressure points.

In the post-GFC landscape, a feature of infrastructure delivery and operation is “financialisation”, putting private finance and risk at the heart of urban life. Yet little attention has been given to analysing this development, where funds managers, policy makers, regulators and urban planners collide. Using a specialist industry database and case study interviews, the researchers are exploring a decade of experience in Australia, the UK, Japan and North America to trace modes of infrastructure financing.

The enduring desire of the public is that infrastructure is a public good, but the healthy public sector balance sheets that funded infrastructure building in the 1950s and ’60s are long gone. In NSW, some recent projects have been marked by acrimony and/or a poor return for private investment – for example, Sydney’s Lane Cove and Cross-City tunnels. This study aims to answer the question: ‘What steps must be taken to engage private finance while still meeting the public’s expectations of service and universality?’

Project Title: Tracing modes of infrastructure financing and their effects on cities

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