

FUTURE CITIES SERIES: POST-COVID HUBS WILL NEED A HUGE WAVE OF SUSTAINABLE INFRA INVESTMENT

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Reprioritisation, resilience and recycling will define cities' infrastructure post-pandemic. Getting there needs a plan.

In response to Covid-19 governments across the world have made drastic interventions in order to protect public health. Lockdowns and other social isolation requirements have shut down large parts of national economies. For now at least, planes are grounded, global demand for energy has plunged and public transport systems are carrying a fraction of their usual passenger load.

This article is part of our Future Cities Series where our experts explore the pressures facing our cities in the post-Covid era and map out the key issues and industry themes in re-thinking urban life.

Cities garner a large part of their appeal from the social and commercial opportunities that arise when diverse people live in close proximity. For city dwellers, working from home, traveling infrequently and avoiding large gatherings is a significant behavioural shift. If this leads to an enduring change in social norms or a retreat to the suburbs, the consequences on the social and economic infrastructure that serve large urban areas will be profound.

For governments trying to mitigate the economic fallout of the pandemic, or motivating the private sector to do so, investing in infrastructure is a vital means of stimulating local economies.

However for our cities to thrive in a post-pandemic world, governments and infrastructure sector players will need to think about three Rs: re-prioritisation, resilience and recycling.



REPRIORITISATION

The pandemic has put a spotlight on digital connectivity as an essential public utility. Australia's government owned National Broadband Network recorded a surge in demand for its services of between 70% and 80% between February and March.¹ We expect most, though not all, will return to work after Covid-19 but working from home will be much more common and we will need the data centres and fibre-optic cables to support this.

If, as predicted, people migrate from high-cost urban centres to more affordable and healthy regional centres, inclusive digital connectivity between towns and remote suburbs will require significant investment. This was a priority for governments pre-Covid. Now it seems an imperative.

Social infrastructure is also likely to get increased attention. The pandemic has put health and wellness at the forefront of people's minds and has highlighted the inequalities in provision of social infrastructure in many communities. This includes not only investment in health care facilities but also social housing and multi-functional, shared and flexibly-built social infrastructure (for example, community spaces used for organised sport that can be converted to temporary clinics).

We will continue to see transport projects (not least because they tend to create the most jobs). But Covid-19 has shaken up the key assumptions that underpin these projects – population growth, migration, urban density, demographic trends, technological advancement and people’s attitudes to sharing space with others – like a kaleidoscope. Until the pieces stop moving, many transport projects may be difficult to progress. In the short term, expect congestion to return to our roads, potentially exceeding pre-pandemic levels, and public transport to be underutilised.

RESILIENCE

Covid-19 has disrupted supply chains and highlighted the fragility of the global trading system. Individuals, companies and governments in wealthy countries have now experienced – many for the first time in a generation – not being able to access essential goods such as medical supplies and even certain foods.

Resilience and self-sufficiency are now a priority. We think these attitudes will hold for the infrastructure sector as cities embrace the “circular economy” – that is, changing the way we build our cities to minimise waste and to reduce our environmental impact.

Dense city living lends itself well to the adoption of sustainable urban infrastructure. Smart, electrified transportation systems, tall energy efficient buildings and smart water and waste management systems will help to deal with the compounding issues of population growth, drought and other extreme weather events.

It is telling that the new “Western Sydney Aerotropolis” in Australia is embracing this concept, as are many new city developments in the Middle East (including the NEOM project) which have a heavy emphasis on the use of futuristic “smart” technologies, integrated infrastructure networks and the use of innovative design and construction methods. It is likely that the pre-existing drivers behind this intention will only be strengthened by the pandemic.

RECYCLING

Fundamental questions remain. How will projects be paid for by the community? While debt has never been cheaper, government balance sheets are being stretched by the pandemic. Accordingly, the debt burden on future generations will be significant. Governments will be loath to raise taxes in the short term as they seek to encourage growth and will have no choice but to establish asset recycling programmes. By selling or leasing infrastructure assets to private sector investors (typically superannuation or pension funds), capital can be reinvested in new, economically productive projects. For example, in Australia various asset recycling programmes have been implemented over the last 20 years, including most recently in 2014, which led to underwritten State financed infrastructure booms in NSW and Victoria.

Similarly, these types of initiatives are becoming prevalent in the Middle East, with several jurisdictions indicating their intention to privatise government-owned assets. In particular, Saudi Arabia and Oman are embarking on ambitious privatisation programmes. The impact of Covid-19 on government finances (twinned with suppressed oil prices and lower demand in other key industry sectors such as tourism) is likely to make asset recycling programmes an attractive funding option.

To ensure there is public support for such a programme, governments will need to make sure that the interests of the public and investors are appropriately balanced. Governments will also need to focus on ensuring that the new assets funded by the programme are economically sound and deliver a tangible benefit to residents and the city they inhabit.

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1. <https://www.abc.net.au/news/2020-04-01/coronavirus-internet-speeds-covid...>
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