



KPMG 2024 Infrastructure and Transport CEO Outlook

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Foreword

This year's KPMG CEO Outlook provides a revealing view into the objectives, challenges and strategies at the top of the agenda for infrastructure and transportation CEOs. The headlines are important: increased confidence in growth prospects, clear urgency around digitization, an increased focus on talent and workforce. Each of the trends identified in this research should resonate strongly with sector CEOs.

Yet I would focus readers' attention on two themes where, I believe, infrastructure players have the most to gain and the most to lose.

The first is climate risk. It speaks volumes that the majority of the CEOs responsible for our most critical assets are worried about climate change and weather-related risks. And it is concerning that few expect to achieve their net-zero goals by 2030. I believe climate change poses the greatest risk to our infrastructure and our communities — not just in the long term, but here and now. It should be at the very top of every CEO's agenda.

The second key trend is a renewed focus on building public trust. As the stewards of our critical assets and services, the infrastructure and transportation sectors play a unique role in societies. Businesses need to concentrate on customer experience and the consistency and reliability of services, as well as being alert for reputational risks that can easily escalate under intense scrutiny amplified through social media. To be clear, these two issues are not separate. Progress on sustainability objectives builds public trust. Focusing on trust adds credibility to sustainability progress. Climate and trust are often deeply infused into many of the other key challenges facing the sector. For example, talented individuals want to work for organizations that are trusted, sustainable and purposeful. And talent is critical to driving transformation and achieving growth.

I am proud to present the KPMG 2024 Infrastructure and Transport CEO Outlook. To learn more about the topics or ideas raised in this report, I encourage you to contact your local KPMG member firm.



Richard Threlfall

Global Head of Infrastructure,
Government and Healthcare
KPMG International



Executive summary

Despite ongoing economic and geopolitical uncertainty, infrastructure and transportation CEOs anticipate growth over the coming three years — both in terms of earnings and headcounts. But key challenges continue to create roadblocks to achieving that growth.

The CEOs in our survey noted concerns related to talent shortages, technology adoption and climate risk. They say they are worried about the risks of generative AI (Gen AI) and missing their net-zero targets. They talk of shifting stakeholder expectations and complex technology environments.

Yet they also show encouraging ambition and action. They are intent on investing into expanding their AI capabilities and skills. They are prioritizing their workforce and developing their talent. And perhaps most importantly, they are more focused than ever on building public trust.

This survey of more than 120 sector CEOs from around the world highlights five key priorities that are at the top of their agendas:

Five key priorities for Infrastructure & Transport CEO's

Growing in an uncertain environment

Despite uncertainties from new technologies, global economy, and talent competition, 63 percent of Infrastructure and Transportation CEOs anticipate over 2.5 percent earnings growth in the next three years through enhancing employee value proposition, implementing generative AI, and advancing business digitization and connectivity.

Embracing the rise of Gen AI

Despite economic uncertainty, 68 percent of sector CEOs prioritize generative AI investment, acknowledging implementation challenges like bias and data protection, and expect returns on these investments in at least three years.

Building public trust

Sixty-two percent of sector CEOs believe businesses should address societal challenges due to declining trust in governments, 71 percent are willing to divest profitable but reputation-damaging parts, and 82 percent advocate for community engagement and positive internal cultures for future prosperity.

Shaping the workforce

Ninety-three percent of sector CEOs plan to increase their workforce in the next three years, expecting generative AI to potentially boost this growth, despite talent acquisition challenges and a strong belief in the need for improved diversity and inclusion in business.

Prioritizing climate risk

CEOs identify environmental and climate change impacts as the second biggest risk to their organizations, with 70 percent predicting natural disasters and extreme weather events will impact their prosperity in the next three years, 57 percent believe stakeholder expectations on ESG are changing faster than their strategy adaptation, and only 44 percent are confident in meeting net-zero goals by 2030.

We will explore the results of the KPMG 2024 Infrastructure and Transport CEO Outlook to take a deeper look at these challenges and interrelated trends, and we will provide a set of recommendations for sector CEOs as they seek to deliver on their objectives and citizen expectations for quality of life.

Key findings

Growing in an uncertain environment



of CEOs expect earnings to grow by more than **2.5 percent** over the next 3 years

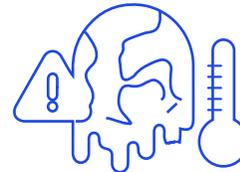


74% have already adapted their growth strategy to reflect their changing market environment

Prioritizing climate risk



54%



worry that a global failure on climate-change adaptation will have real short-to-medium-term impacts on their growth

Yet

44%

say they are confident they can meet their net-zero goals by 2030



Building public trust



believe the public is looking to businesses to fill the void on societal challenges

But

57%

say stakeholder ESG expectations are changing faster than they can adapt

Driving digital transformation

68% say that Gen AI is a top investment priority



But most don't expect to see returns on their investments for at least three years

Shaping the workforce



94% plan to increase headcount over the next three years

But **competition** for **skills** is fierce



Source: KPMG 2024 CEO Outlook

Section 1

Growing in an uncertain environment

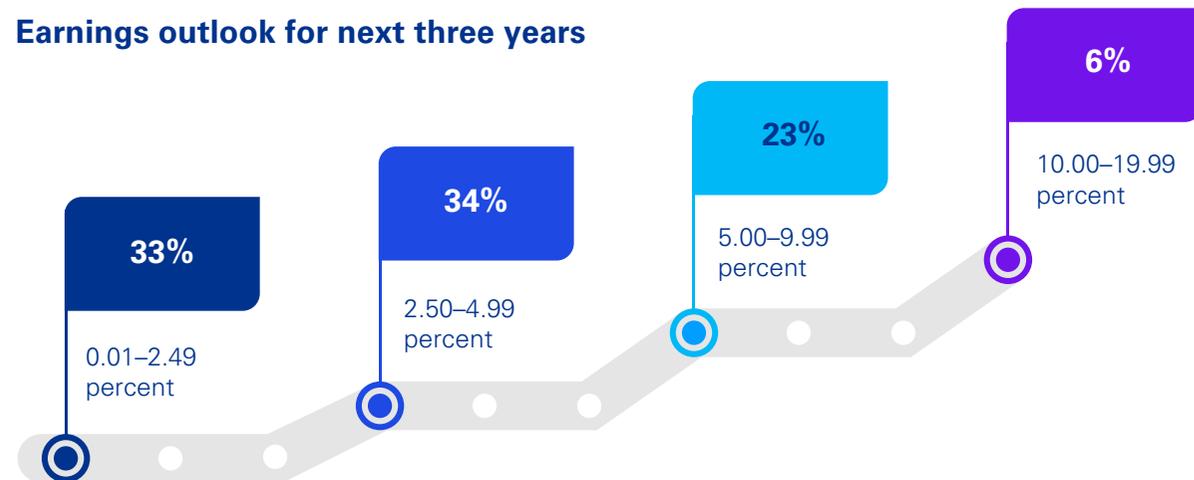
The world may be facing a US\$97 trillion infrastructure gap by 2040.¹ But a strong pipeline of future work doesn't necessarily translate into outsized growth in the infrastructure and transportation sector.

Growth is clearly at the top of CEOs' minds. In our survey, 53 percent of infrastructure and transportation CEOs say it is their number one challenge. Seventy-four percent say they have confidence in the growth prospects of the industry, yet just 69 percent have the same confidence in their own companies' growth prospects. Nearly three-quarters say they feel they are under greater pressure than ever to ensure the long-term prosperity of their business.

At the same time, many infrastructure and transportation CEOs expect their organizations to grow. In fact, 63 percent say they expect earnings to grow by more than 2.5 percent over the next three years — 29 percent think they will see earnings growth of more than five percent. Similar expectations surround headcount. Nearly all (94 percent) say they plan to increase headcount, and 38 percent expect to increase their workforce by more than six percent over three years.

¹ *Global Infrastructure Outlook*, G20 Global Infrastructure Hub (2018).

Earnings outlook for next three years



Source: KPMG 2024 CEO Outlook



Most infrastructure and transportation companies are either in a highly competitive market where margins are continuously getting squeezed, or they are in a regulated monopoly and getting squeezed by the regulator. Either way, more volume doesn't always translate into better earnings or margins."

Richard Threlfall

Global Head of Infrastructure, Government and Healthcare, KPMG International

Dig deeper into the list of top challenges and many specific pain points become clearer. Infrastructure and transportation CEOs say they are concerned about the impact of Gen AI and other new technologies. They continue to worry about the current state of the global economy, geopolitical complexities and growing protectionist attitudes in some markets. The competition for talent and changing workforce dynamics loom large.

The complex nature of these challenges has already forced the majority (74 percent) to adapt their growth strategy. An equal number say they have a moderate-to-high appetite for mergers and acquisitions (M&A) over the next three years, suggesting many hope to expand into new markets and segments to drive growth.

While that may be the case, our survey also reveals a heavy focus on driving organic growth; 33 percent of CEOs say that is their most important growth strategy. And they say they plan to achieve that by strengthening their employee value proposition, implementing Gen AI and advancing digitization and connectivity across the business.

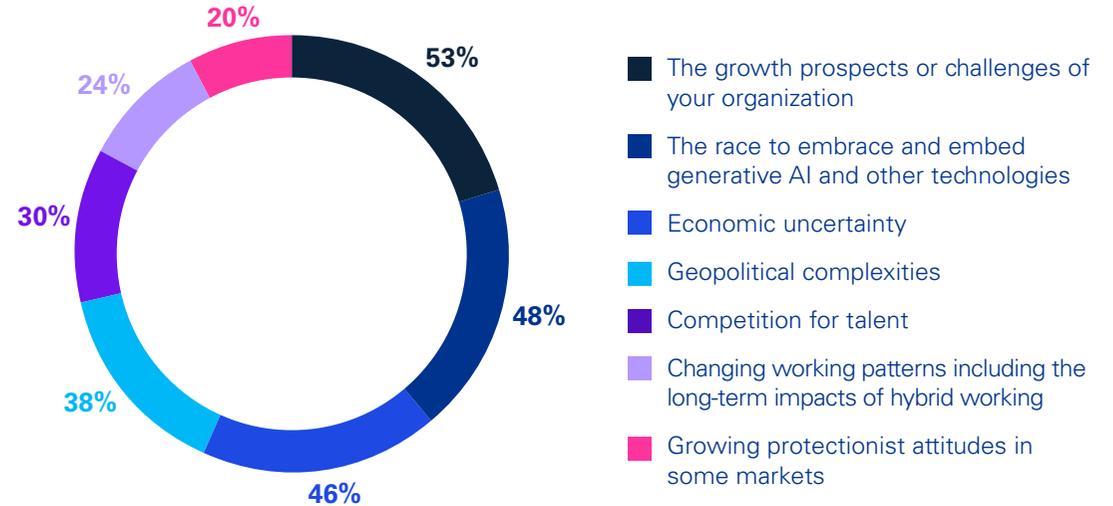
“

Now as ever, confidence is key. Yes, politicians talk about a big pipeline of work. But without confidence on when or if it will materialize, it becomes very difficult to create a long-term growth strategy, retain talent and invest into new technologies.”

Lisa Kelvey

Lead of Global Infrastructure Sustainability
KPMG in the UK

A perspective around top challenges on CEOs mind



Source: KPMG 2024 CEO Outlook



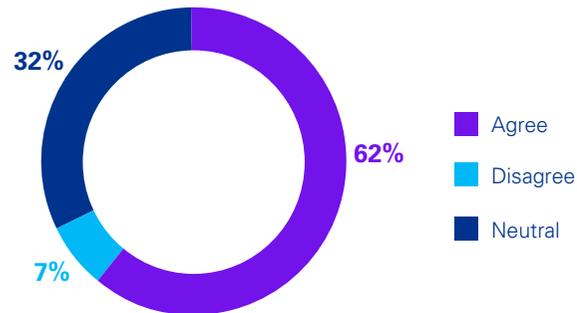


Section 2

Building public trust

Infrastructure and transportation CEOs increasingly recognize that public trust underwrites their license to operate. Our data suggests they are taking a personal interest in helping to rebuild trust.

With confidence and trust in governments declining around the world, 62 percent of infrastructure and transportation CEOs believe that the public is looking to businesses to fill the void on societal challenges — and they seem ready to step up.



In 2024, **62 percent** of CEOs agreed that as confidence and trust in governments have declined, the public is looking at businesses to fill the void on societal challenges

Source: KPMG 2024 CEO Outlook





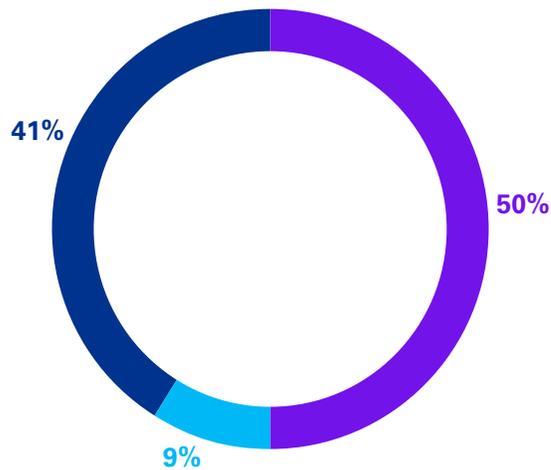
Seventy-one percent say they are willing to divest a profitable part of the business if it was damaging their organization’s reputation. Half say they would be willing to take a public stand on a politically or socially contentious issue, even if their board was concerned about the risks. More than three-quarters say they would take a public stand on an issue that may benefit the organization but conflict with their own personal beliefs.

Big announcements and commitments only go so far, and sector CEOs hope to put their words into action in their communities. Eighty-two percent think their organization should engage with communities and foster positive internal cultures to safeguard their future prosperity. Seventy-nine percent think they should be investing in community skills development and nearly three-quarters (73 percent) say they should be helping ease the cost-of-living crisis for customers.

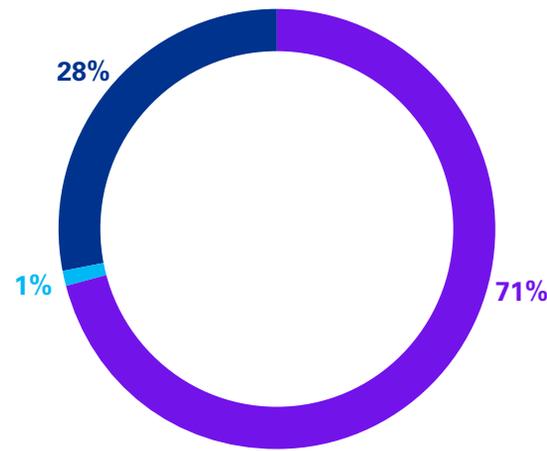
“Infrastructure businesses must recognize that for the public what matters is not the quality of the engineering, but their experience as a user of the service. That is the route to building and maintaining public trust.”

Richard Threlfall
Lead of Global Infrastructure Sustainability
KPMG in the UK

Willingness to take actions displaying personal integrity



Take a stand on a politically or socially contentious issue, even if the board was concerned about the risks of taking a public stance



Divest a profitable part of the business that was damaging our reputation

■ Willing ■ Unwilling ■ Neutral

Source: KPMG 2024 CEO Outlook



Section 3

Prioritizing climate risk

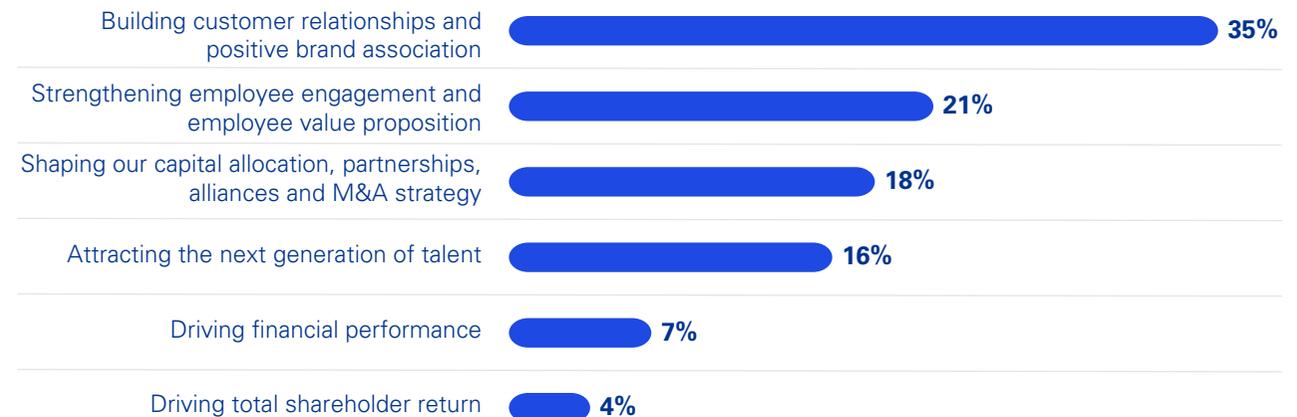
If you are not fully focused on managing climate risk, you should be. Our survey shows that a big proportion of the CEOs running the world's most fundamental infrastructure are. And this is from respondents that — for the most part — are headquartered in countries considered to be at low climate risk.

According to infrastructure and transportation CEOs, environmental and climate change impacts pose the second biggest risk to their organizations (behind operational issues). Seven in ten say that natural disasters and extreme weather events will likely impact their organization's prosperity over the next three years. More than half worry that a global failure on climate-change adaptation will have real short-to-medium-term impacts on their growth.

CEOs recognize the link between delivering on their environmental, social and governance (ESG) expectations and building public trust. In fact, the number one reason sector CEOs say they focus on ESG is to build customer relationships and positive brand association. They also see it as a personal mission: one in five think they may lose their jobs if they don't deliver on stakeholder expectations.

Yet herein lies the challenge. More than half (57 percent) of sector CEOs also say that stakeholder expectations pertaining to ESG are changing faster than they can adapt their strategy. Kicking a ball through a moving goal post isn't easy.

Adoption of ESG strategy over the next three years



Source: KPMG 2024 CEO Outlook



Having a strategy is one thing. Now it's time to operationalize that for the business. That means making sure you have the right roles and responsibilities, clear targets that are spread out across the business units, and new processes and approaches to things like enumeration, reporting and data."

Lisa Kelvey

Lead of Global Infrastructure Sustainability, KPMG in the UK

While ambition on climate risk may be high, many CEOs worry they will not achieve their objectives. Just 44 percent of infrastructure and transportation CEOs say they are confident they can meet their net-zero goals by 2030.

Why? The top reason cited by our respondents is the complexity of decarbonizing their supply chains — not a big surprise given the carbon-intensive nature of many aspects of the sector. Many also suggested they lack the talent, capabilities or technology to successfully implement their decarbonization strategies.

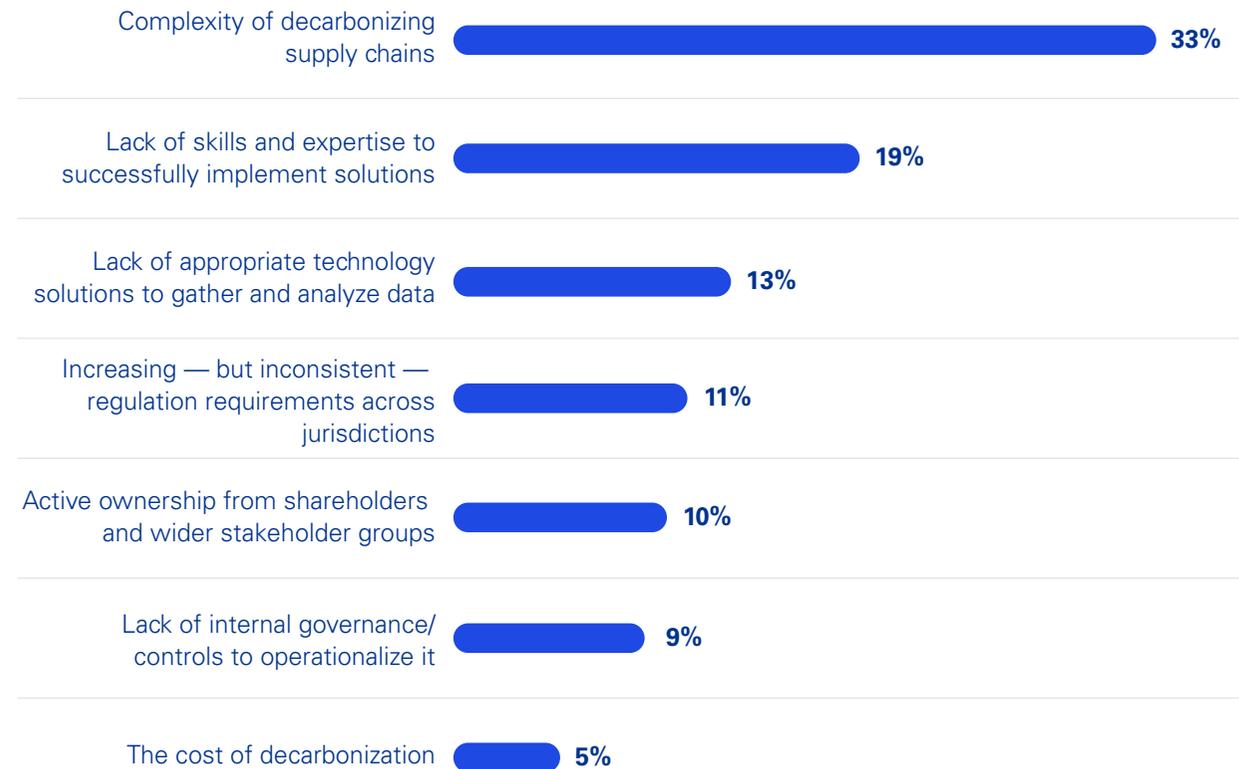


The investment levels required to deliver on some of these carbon goals are immense and — for regulated sectors in particular — it’s not always easy to get the regulatory approval you need to levy the bills that would allow you to do the work. It’s no surprise that ambition isn’t meeting action for many companies.”

Richard Threlfall

Global Head of Infrastructure, Government and Healthcare, KPMG International

Barriers to achieving net zero or similar climate ambitions



Source: KPMG 2024 CEO Outlook



Section 4

Embracing the rise of Gen AI

Everyone wants to talk about Gen AI, and infrastructure and transportation CEOs are no different. In our survey, 68 percent say that Gen AI is a top investment priority despite ongoing economic uncertainty. Nearly half say it is a topic that is top of mind right now.

CEOs have big hopes for the technology. They see opportunities for increased efficiency and productivity, upskilling the workforce and driving innovation. Some suggest it could help increase their profitability (though, for regulated assets, that bump may be short lived). Seven in ten say their leadership has a clear view on how the technology will both disrupt and benefit their organization.

Yet at the same time, infrastructure and transportation CEOs note significant concerns about the challenges associated with implementing Gen AI. Top of the list are ethical challenges — including concerns about bias, data protection and lack of transparency. Reflecting CEOs' desire to decarbonize their supply chain, 58 percent say they are also concerned about the environmental impacts of Gen AI.

Benefits of implementing generative AI



Source: KPMG 2024 CEO Outlook

“

Where sector leaders are currently getting the most value from AI is where it is being used to make the workforce more efficient. We're seeing organizations look at how they can run multiple assets from one control room, largely by using AI to automate the more mundane and less risky tasks.”

David Smallbone

Lead of InfraTech Advisory for Infrastructure
KPMG in the UK

Three other big challenges emerge from our data. The first is talent. Fifty-seven percent of sector CEOs say their organization may lack the technical capability and skills required to implement their Gen AI strategy (more on this in the next section). Two-thirds say they will need to upskill and retrain existing resources but will not reduce headcount. The other third say it will create more jobs than it eliminates.

The second challenge is data. Only 40 percent of sector CEOs say they are confident they have their data ready to safely and effectively integrate Gen AI. Sixty-one percent think they have robust enough data governance frameworks to manage the integration of Gen AI.





The third big challenge is regulation. And our survey reveals that — in this area at least — sector CEOs want more of it, faster. On the one hand, 62 percent say that a lack of regulation around Gen AI will be a challenge to implementation. A similar number (63 percent) say the pace of progress on Gen AI regulations will be a barrier to their organization's success.

So while hopes may be high for Gen AI to spin out benefits in the sector, most infrastructure and transportation CEOs say they don't expect to see returns on their Gen AI investments for at least three years.

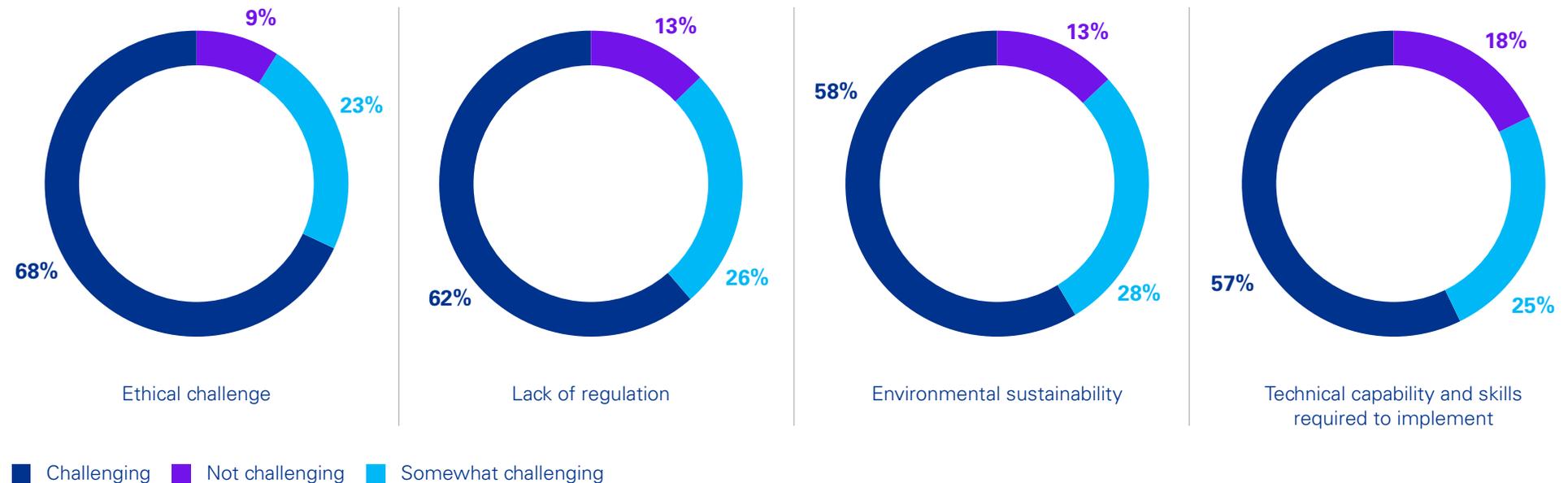


CEOs have big ideas for AI. But AI runs on data. And they are still struggling to get their data off the infrastructure. You could have the best ideas, capabilities and technology. But if you don't have the data, you aren't going to get the benefits."

David Smallbone

Lead of InfraTech Advisory for Infrastructure

Challenges associated to implementation of generative AI



Source: KPMG 2024 CEO Outlook

Section 5

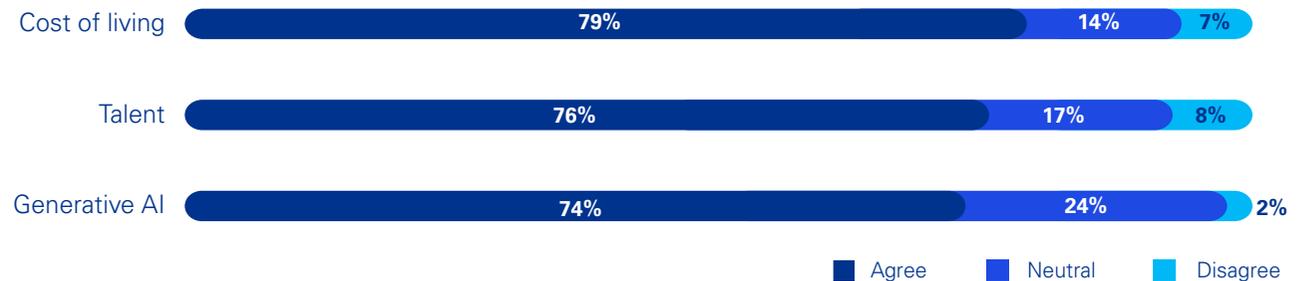
Shaping the workforce

We have already revealed that 93 percent of sector CEOs plan to increase headcount over the next three years (with more than a third planning to increase it significantly) and that CEOs expect Gen AI to — if anything — increase their headcount needs.

Yet this is a period of heightened competition for talent, and infrastructure and transportation companies often struggle to attract the types of workers they will need to deliver on their growth objectives. So it's no surprise that 76 percent of sector CEOs say talent challenges will likely have a negative impact on their company's prosperity over the next three years.

Our survey suggests CEOs understand the challenge and have plans to respond. Indeed, for the second year in a row, infrastructure and transportation CEOs say their top operational priority to drive growth is to focus on enhancing their employee value proposition to attract and retain top talent.

Impacts to the organizations in the next three years



Source: KPMG 2024 CEO Outlook



Usually employee value propositions are designed to retain employees. But these industries don't have a retention problem. They have an ageing workforce problem and their real challenge is attracting young, talented, IT-savvy individuals into the organization. That is where CEOs should be really focusing."

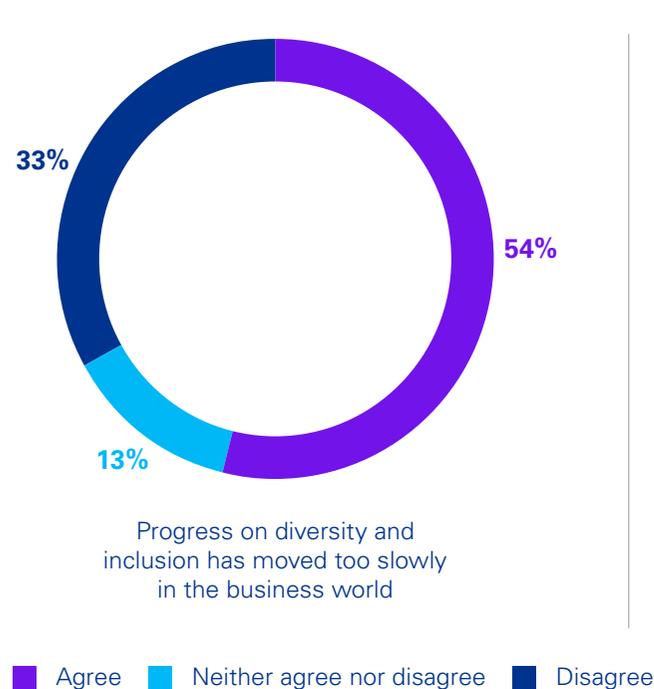
Richard Threlfall

Global Head of Infrastructure, Government and Healthcare, KPMG International

One way sector CEOs plan to attract new talent is by broadening their talent pool. More than half say that progress on diversity and inclusion has moved too slowly in the business world.

They also believe that they must set a strong example from the top. Nearly three-quarters (74 percent) say diversity requires implementing a change across leadership at the senior level, and 81 percent say that achieving gender equality in the C-suite would help to assure they can meet their growth ambitions.

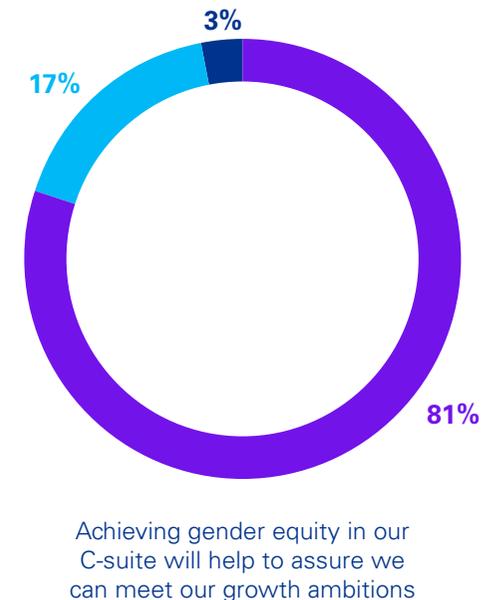
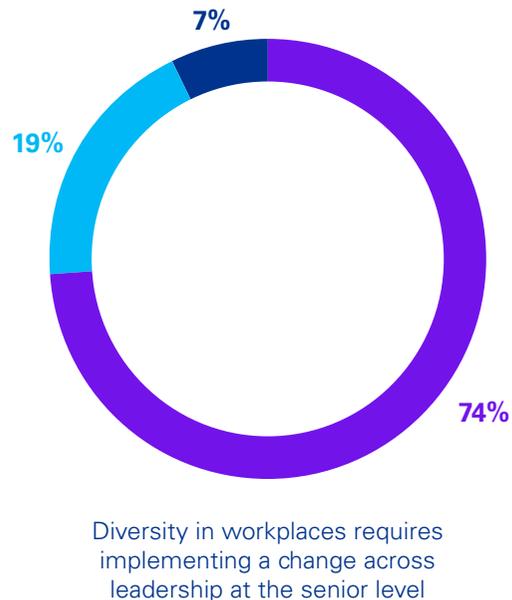
Diversity and inclusion



“**In this industry, we spend a lot of time focused on diversity, but not enough time focused on inclusion. What’s the point in diversifying your workforce if you don’t also adapt the way in which you operate in order to encourage those voices to speak up and develop?”**

Lisa Kelvey

Lead of Global Infrastructure Sustainability, KPMG in the UK



Source: KPMG 2024 CEO Outlook



Key recommendations



Be braver

As an industry, we must play a supportive role in helping solve key global challenges. To do that, we should be braver and more confident. We should move forward in the face of uncertainty. We should innovate and adapt. We should collaborate and inspire.



Prioritize climate risk

If the CEOs who are the stewards of the critical infrastructure on which our populations depend are worried about the climate resilience of their assets, we should all be worried. More importantly, we should all be taking action.



Build public trust

Infrastructure and transportation organizations need public trust in order to operate, grow and innovate. As trust in public institutions comes under pressure globally, CEOs should step up to fill the gap and ensure the success of their objectives.



Focus on talent

None of our objectives can be achieved if we do not have the right people, capabilities and support to deliver the change required. Ensure that workforce and talent considerations are embedded in every strategy and transformation roadmap.



Overcome the data challenge

Data has long been a barrier to digital transformation. But now, new approaches and technologies can help bridge some of those gaps. Rather than starting with the big idea and then looking for the data, start with the data and see what you can build from there.



How KPMG can help

The global KPMG organization of infrastructure and transportation professionals has the experience, capabilities and insights to help you deliver lasting value from infrastructure and mobility assets, investments and policies.

Infrastructure is the foundation of our societies and the bedrock of our economies. And transportation connects people, businesses and cultures. They can enable innovation, encourage equity and catalyze development. Done right, infrastructure and transportation can deliver a better future for everyone, everywhere. And KPMG professionals can show you how.

The global organization of KPMG infrastructure and transportation professionals thrives on helping solve some of the world's biggest and most complex challenges. And our focus is on helping public and private sector organizations involved in infrastructure deliver the outcomes they are seeking, whether for society, for their business, or both, as efficiently and effectively as possible.

Contact your local KPMG firm to explore how we can work together to help connect the world, build prosperity, reduce poverty, and create a sustainable quality of life.



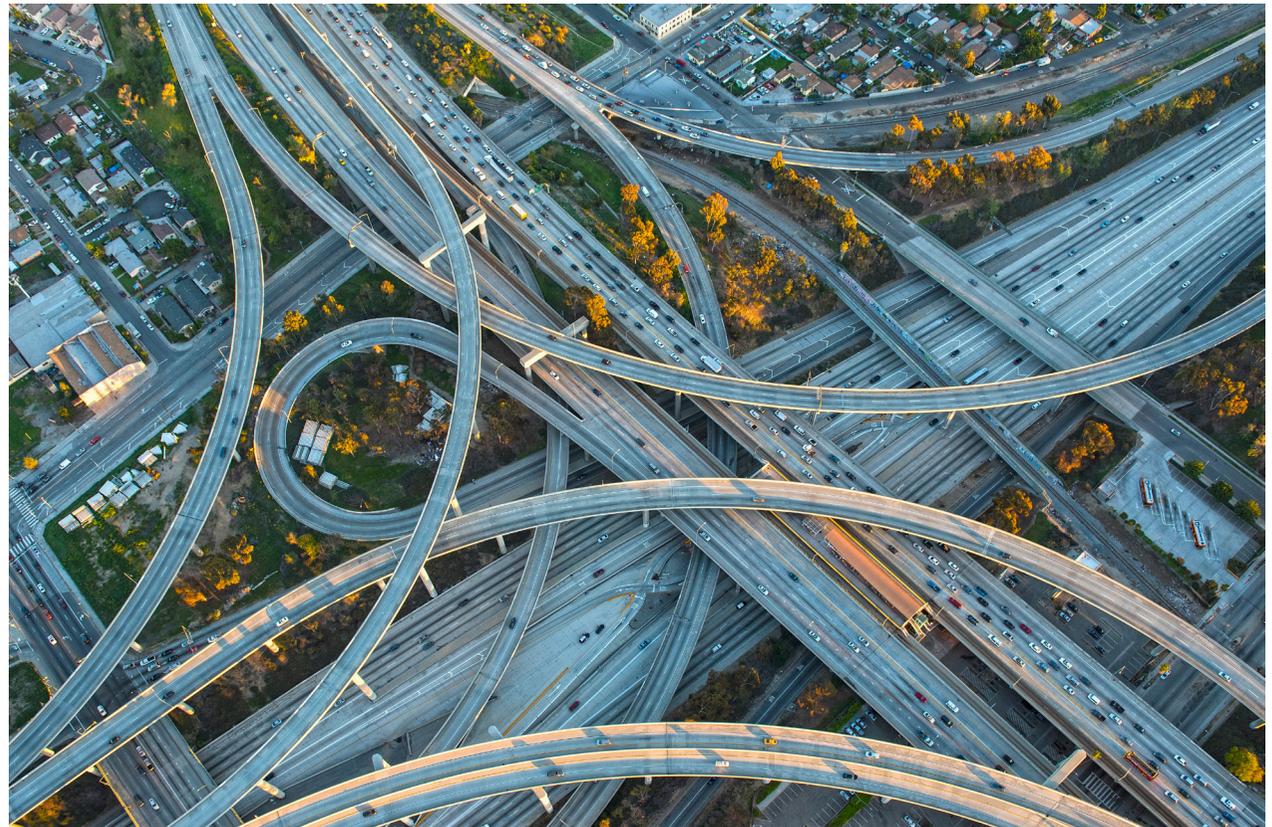


Methodology

The 10th edition of the KPMG CEO Outlook, conducted with 1,325 CEOs between 25 July and 29 August 2024, provides unique insight into the mindset, strategies and planning tactics of CEOs.

All respondents have annual revenues over US\$500M and a third of the total companies surveyed have more than US\$10B in annual revenue. The survey included CEOs from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications). NOTE: some figures may not add up to 100 percent due to rounding.

This report draws on the views of 120 infrastructure and transportation CEOs. In the infrastructure and transportation research, the two largest sub-sectors were mobility and transportation with half the respondents, and rail, airports, roads, digital infrastructure and other sectors making up the other half. The best-represented countries based on organizational headquarters are the US, India, China, Canada and Germany, with these markets making up three-quarters of the total respondents.



About the authors



Richard Threlfall

Global Head of Infrastructure,
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Richard, Global Head of Infrastructure, Government, and Healthcare at KPMG, oversees sectors contributing to 25% of KPMG's global revenues. With 30 years' experience, he advises public and private sectors in the UK and abroad. His career began at the UK Department for Transport, later serving as Private Secretary to the Secretary of State for Transport and the Deputy Prime Minister. He led KPMG's UK Infrastructure sector, then became KPMG International's Global Head of Infrastructure and launched KPMG's Global ESG Strategy. Committed to addressing climate and social emergencies, he supports organizations in achieving UN Sustainable Development Goals. He's known for guiding clients through complex transactions and is a frequent writer on infrastructure and sustainability.



Lisa Kelvey

Lead of Global Infrastructure
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KPMG in the UK

Lisa Kelvey leads KPMG UK's Major Projects Advisory Global Infrastructure Sustainability Lead.

A Chartered Civil Engineer with 25 years' experience of delivering major projects in the UK, Europe, Middle East, Asia and Americas, Lisa provides insight and leading international practice on the planning, procurement and delivery of major infrastructure projects as well as embedding ESG considerations throughout the asset lifecycle. She provides strategic advice to Project Leaders and Sponsors, backed up with strong technical knowledge to solve the most complex programme challenges.



David Smallbone

Lead of InfraTech Advisory
for Infrastructure
KPMG in the UK

David leads our InfraTech Advisory team, helping our clients use digital technologies, data, and analytics to get better value from their assets and infrastructure. David has previously worked for infrastructure owners and engineering support services organisations, across a broad range of sectors, infrastructure, and assets.



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